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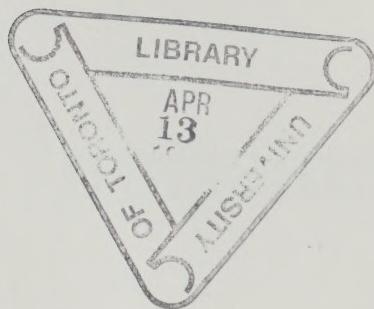


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Report of The Commission on the Reform of Property Taxation in Ontario



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the respective local telephone directories,
listed under 'Government of Ontario'.

To Her Honour

The Lieutenant-Governor of the Province of Ontario

March, 1977

May it please your Honour:

We, the members of the Commission on the Reform of Property Taxation in Ontario, appointed by Order-in-Council, dated 5th May 1976, to review proposals with respect to property taxation in Ontario, are pleased to submit herewith, our report.

Willis L. Blair

Willis L. Blair
Chairman

Allan R. Cooper

Allan R. Cooper

M. Dean Henderson

M. Dean Henderson

John S. Darling

John S. Darling

Edward E. Mitchelson

Edward E. Mitchelson

Henry E. Davis

Henry E. Davis

Irene Mooney

Irene Mooney

J. M. Fyfe M.D.

Joseph W. Fyfe

R. P. Simon

Robert P. Simon

Ronald K. White

Ronald K. White

Foreword

During the course of the proceedings of the Commission, public meetings were held in thirty different locations throughout the province. These meetings began on June 23, 1976 and ended on November 19, 1976. Approximately 900 briefs, both written and oral, were submitted. In addition, the Commission received almost 1,500 letters. The participation in various ways by so many people has been most helpful to the Commission.

For background information, we are indebted to the studies and recommendations of other pertinent reports on property assessment and taxation—the Report of The Ontario Committee on Taxation, 1967 (the Smith Committee); the Report of the Select Committee of the Legislature on the Report of The Ontario Committee on Taxation, 1968 (the White Committee); the Report of The Committee on Farm Assessment and Taxation, 1969; the Report of The Committee on Golf Course Assessment and Taxation, 1972; and the Report of an Intergovernmental Working Group on Real Property Tax Exemptions, 1974.

The assistance and co-operation given by various departments of government, especially by the staff of the Municipal Finance Branch, Ministry of Treasury, Economics and Intergovernmental Affairs, are acknowledged with thanks.

To my colleagues on the Commission, I want to express my gratitude for their help and co-operation. They accepted their important responsibilities willingly and good-naturedly, often at great inconvenience to themselves, their families and their employers. A special word of thanks must go to Mr. Robert Simon for making his expertise available in writing the report, as well as to Messrs. Allan Cooper and Dean Henderson, who ably assisted in that assignment.

During our deliberations, we at all times kept uppermost in our minds the interests of the provincial government, the local authorities and, most particularly, the property taxpayers in the Province. We feel that the system we are recommending is more equitable and capable of much greater understanding than the present system of property taxation in Ontario. It is hoped that the Recommendations contained in this report and the rationale for them will be useful to the Government and the people of Ontario.

Willis L. Blair
Chairman

Commission on the Reform of Property Taxation in Ontario

Members

CHAIRMAN	Willis L. Blair Member Ontario Municipal Board
MEMBERS	Allan R. Cooper Property Assessment Advisor The Canadian Bankers' Association Toronto
	John S. Darling Marketing Administration Executive Mutual Life Assurance Company Member, Waterloo County Board of Education Kitchener
	Henry E. Davis President Davis Farms and Developments Limited R.R. 1, Utopia
	Joseph W. Fyfe, M.D. Member Sudbury District Separate School Board Sudbury
	M. Dean Henderson Partner Withey, Addison and Henderson Chartered Accountants Mississauga
	Edward E. Mitchelson Councillor Regional Municipality of Niagara Niagara Falls
	Mrs. Irene Mooney Housewife Kingston
	Robert P. Simon Director, Taxation Brascan Limited Toronto
	Ronald K. White Farmer R.R. 4, Denfield

Copy of an Order-in-Council approved by Her Honour the Lieutenant Governor, dated the 5th day of May, A.D. 1976.

The Committee of Council have had under consideration the report of the Honourable the Premier, wherein he states that,

WHEREAS the Government wishes to ensure that property taxation based on market value assessment is implemented in an efficient and equitable manner:

The Honourable the Premier recommends:

1. THAT a Commission be established to review certain proposals with respect to property taxation in Ontario which were set out in the 1976 Ontario Budget, Budget Paper E, entitled Reform of Property Taxation in Ontario (hereinafter referred to as the "Proposals"). The Proposals are:

1. Residences in Ontario, collectively, will bear a reduced share of property taxes.
2. Residential property will be redefined to include only residences and a reasonable amount of land.
3. The present practice of levying different mill rates on residential and commercial properties will be discontinued.
4. Farmland, farm buildings, managed forests and farm residences will be assessed at market value. Farmland, farm buildings and managed forests will be taxed at 100 percent of market value and the taxes will be paid by the Province. Farm residences will be taxed as all other residences at 50 percent of market value and the taxes will be paid by the owner. There will be provision to recover taxes paid by the Province if the property changes use.
5. All real property used for the purpose of a business including government administrative facilities will be subject to an additional assessment of 50 percent of market value for business taxes.
6. All public property except residences will be subject to payments in lieu of taxes equal to full taxes at 100 percent of market value. Public residences will be subject to payments in lieu of taxes equivalent to full taxes at 50 percent of market value. Public utilities will be subject to business assessment at 50 percent of market value.

7. As is the present case, churches, cemeteries and property held in trust for a band or body of Indians will be exempt. All other presently exempt property will be taxed at 100 percent of market value, except residences which will be taxed at 50 percent of market value.
8. A uniform method of phasing-in the new tax system over a period of up to five years will be available to prevent abrupt tax changes.
9. Assessment rolls will be returned and enumeration will be performed every two years to coincide with local government elections.
10. Assessment on provincial government property will be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences.
11. Costs shared among municipalities will be shared on the basis of the assessment on which taxes and payments in lieu of taxes are based.
12. Where assessment is to be used to determine the grant to be paid to a municipality, the assessment used will be the assessment on which taxes and payments in lieu of taxes are based.
13. The provisions of The Assessment Act will apply to the assessment of all real property in Ontario, including areas without municipal organization.
14. Public bodies which receive provincial grants, such as school boards, will be allowed to include their property tax payments as allowable expenses for grant purposes.
15. Ontario's property tax credits which relate property taxes to the ability to pay will, if necessary, be strengthened upon implementation of the new system.

2. AND THAT the following persons be appointed members of the Commission:

Willis L. Blair, Toronto
Allan R. Cooper, Toronto
John S. Darling, Waterloo
Henry E. Davis, Essa Township
Joseph W. Fyfe, Sudbury
M. Dean Henderson, Mississauga
Edward E. Mitchelson, Niagara Falls
Irene Mooney, Kingston
Robert P. Simon, Mississauga
Ronald K. White, London Township

and that Willis L. Blair, Toronto, be designated Chairman of the Commission and that Lawrence Close, Oakville, be appointed executive secretary to the Commission.

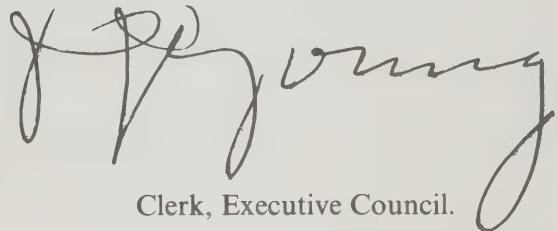
3. AND THAT the Commission receive submissions from municipalities, school boards, organizations and individuals with respect to the Proposals concerning property tax in Ontario and that the Commission make recommendations on these Proposals, and any other Proposals relating to property tax submitted to the Commission, to Cabinet by November 30, 1976.

4. AND THAT the Commission in studying the Proposals make use, where appropriate, of the services and facilities of any ministry, board, commission or agency of the Government of Ontario.

5. AND THAT each member of the Commission, with the exception of the Chairman, receive \$85 per diem and that all members be reimbursed for actual expenses incurred, these to include accommodation, meals and transportation in respect of meetings and other related business, provided that any additional expenses incurred by the Commission for administrative purposes shall be subject to the approval of Management Board of Cabinet.

The Committee of Council concur in the recommendation of the Honourable the Premier and advise that the same be acted on.

Certified,

A handwritten signature in black ink, appearing to read "J. P. Young".

Clerk, Executive Council.

Commission on the Reform of Property Taxation In Ontario

Table of Contents

Letter of Transmittal	iii
Foreword	v
Members	vii
Order-in-Council	ix
Table of Contents	xiii
 Chapter I Overview for Reform	1
 Chapter II Assessment	15
 Chapter III A Proposed Property Tax System	21
1. Taxes on Residences	21
2. Residential Property Redefined	28
3. Mill Rates	41
4. Farms and Managed Forests	42
5. Business Assessment	53
6. Public Property	64
7. Exempt Property	70
8. Phasing-In Tax Reform	83
9. Return of Assessment Rolls	85
10. Government Property School Support	86
11. Shared Costs	90
12. Grants Based on Assessment	91
13. Unorganized Areas	92
14. Grant Supported Bodies	93
15. Property Tax Credit	94
 Chapter IV Implementation	107
 Chapter V Summary of Principles and Recommendations	111
Appendices A Meetings	123
 B Submissions	125

Chapter I

Overview for Reform

Introduction

Ever since people in a society recognized the inherent benefit of ownership of property and the need for community services, the property tax followed as an apparently unavoidable consequence. It is a tax that has been borne by many successive generations and its most easily recognized features are its certainty and its unpopularity. It is therefore surprising that upon examination so little is understood by so many in respect of a burden that falls upon all, as was certainly evident during the course of the Commission's proceedings. Accordingly, we feel it to be appropriate that, at inception, the system must be explained as to its operation in the most fundamental terms so that subsequent reasoning and conclusions may be more widely understood than otherwise might be the case.

The property tax itself is but the product of two factors: the taxable assessment value of real property and the mill rate. Each of these factors in turn has its own determinants; taxable assessment values may vary as land is placed into use or changes use through development and building, or as values attached to existing assessment are revised; the mill rate in turn will vary with a change in local spending. In practice these determinants will, as a matter of course, be in operation continuously and simultaneously. The property tax then is simply the total tax funds required to be raised by local government authorities, and the mill rate is struck by dividing the required funds by the total taxable assessment values:¹ multiplication of the mill rate and the established taxable assessment value of a particular property yields the tax to be paid by the owner of that property. It will be readily discerned that a simple doubling of all existing taxable assessment values at any point in time will result in existing mill rates being reduced by half where total spending remains at the same level: an increase in taxable assessment values throughout a municipality does not, of itself, mean an increase in the property tax. (It has become painfully clear that this was not widely understood by many who appeared before the Commission.)

¹total tax funds required
total taxable assessment $\times 1000 = \text{Mill Rate.}$

In the perspective of the Order-in-Council, the Proposals set forth in Budget Paper E,¹ and the broad lack of understanding of the property tax and therefore of the Proposals themselves, the Commission has developed a framework of principles which it hopes may be recognized as valid and logical. Upon these principles the Commission bases its recommendations which must not only meet the criteria of the framework, but must also lend themselves to practical implementation.

The Property Tax as an Appropriate Means of Meeting Local Financing Requirements

While the Order-in-Council requires the Commission to report its recommendations on the Proposals and on any other proposals relating to property tax, many of the submissions objected to the property tax as a means of financing certain local expenditures. Accordingly, the Commission considered an examination of the appropriateness of the property tax itself was necessary in the development of its recommendations. There is generally a paucity of basic academic research which would assist in providing quantified support of conclusions based upon reason and a degree of empirical observation. We are therefore guided by a thread of reasoning common to many submissions, by logic as an important factor in obtaining broad public support and by the practical observation that reform of property taxation within the Province of Ontario ought not to result in a significant loss of existing resources to the benefit of the Federal Government and indirectly of other provinces.

Virtually all who addressed the Commission acknowledged the need for reform generally, but voiced opposition to sometimes minor aspects of the Proposals. One query common to many was the appropriateness of the property tax as a means of meeting the cost of certain "soft" services, such as education, health, welfare and recreation, as opposed to "hard" services, such as roads and their maintenance, sewers, water and protection against crime and calamity. In a nutshell, it was repeatedly stated that the cost of services to property should be met out of a property tax, whereas the cost of services to people should be met out of a "people-related" tax such as the income tax. The Commission found that this facile summation was particularly persuasive to many, probably because of the superficial logic it appears to convey at first glance. Yet those who would support the perceived merit in this observation were invariably those who were also the strongest proponents of local autonomy and who feared the shifting of local responsibility to a more remote, less approachable senior government with attendant inefficiencies and lack of capacity to respond to local needs and criteria.

¹Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Reform of Property Taxation in Ontario", Ontario Budget 1976, (Toronto, 1976).

Upon even perfunctory examination, it is evident that the differentiation between so-called services to land and services to people is wholly irrelevant: there is, in any perspective whatsoever, no such thing as "services to land"; there are only services demanded by people. While the nature of these services may require digging or other similar activity, it is the presence of people and their concomitant demands that give rise to an expenditure.

A more relevant distinction is whether certain services ought to be controlled locally in order to be responsive to local needs, or whether in certain cases local autonomy should be surrendered to the Provincial Government. We found no support for an erosion of autonomy; on the contrary, local autonomy remains a tenet of virtually dogmatic proportions. Yet many would lift education levies (which loom largest) entirely from the property tax, seeking to have the related costs met out of income taxes while leaving spending decisions at the local level. It seems clear that autonomy without any financial responsibility is wholly unrealistic as an objective since the two are mutually exclusive. In a more practical sense, no one appearing before the Commission had examined the financial consequences of financing education out of income tax revenues, and it is felt some perspective may be provided by the following:

- (1) Across the Province as a whole, the annual yield of property taxes for all purposes is currently estimated to approach some \$3 billion. Of this, approximately half, i.e. \$1.5 billion, is in partial support¹ of education costs, and is borne directly or indirectly by virtually all property owners and tenants in the Province. In this context, it is of more than passing interest to note that the entire annual yield of Ontario personal income taxes is currently \$1,571 million,² raised by means of a 30.5 percent rate applied to federal income taxes payable. Were that part of education costs which is still met by property taxation to be met by personal income taxes, the provincial personal income tax rate would need to exceed 50 percent,³ a level surely inappropriate beyond dispute.
- (2) In excess of one third of all property taxes is met by the business sector. As such, this is a business expense which is deductible in the determination of income for income tax purposes, on which the Federal Government levies taxes. It would seem clear, if the education component were to be removed from the property tax on business, there would result a shift to the Federal Government of resources determined by the average percentage of federal income tax applicable from time to time. While no clear estimate of the funds involved can be established, its significance is undeniable.

¹Excluding provincial grants on which we comment elsewhere.

²Net of Ontario Tax Credits.

³After taking account of Ontario Property, Sales and Pensioner Tax Credits.

It should be recognized that such a loss cannot be overcome by simply increasing the Ontario provincial income tax rates proportionately, because provincial income taxes are not deductible for federal tax purposes. An increase in the provincial income tax rate will therefore merely cause an increase in tax on business income without yielding any additional resources to the Province: this is not a viable solution.

- (3) Much property in Ontario is owned by non-residents who do not pay provincial income taxes. Such property owners now contribute towards education costs and while no reliable estimates of the magnitude of this contribution are available, it is thought to be considerable. (If it were so small as to be insignificant, there would have been no special land transfer tax on property sales to foreigners.)
- (4) The demand upon the income tax becomes still worse for another reason. Not only would it need to accommodate the revenue loss as outlined in the foregoing, it should also be recognized that not all property owners or tenants pay income tax. The total burden would therefore fall upon fewer shoulders, increasing the load upon each individual proportionately.

In the light of the foregoing, it would seem inescapable that the full fiscal consequences of removing education costs from the property tax levy have not been considered by those who advocate this approach.

It becomes apparent that the property tax cannot simply be examined in isolation. It is a tax on wealth in the form of real property and as such is a component in a fiscal system which seeks to tax, in other major aspects, the ability to earn income and the ability to consume. The very essence of the tax base, i.e. real property, makes it capable of responding to local needs without thereby imposing financial consequences on those who live in other locales and have other needs. Furthermore, while both income and sales taxes may be made to respond to provincial requirements by way of changes in rates which affect all consumers and income earners in the Province, only the property tax, by way of a change in the mill rate, is capable of isolating the effect of spending decisions. Many submissions observed this feature of the property tax and made the point that a shift of revenue responsibility from local to provincial government tends, as a result, to make local costs less visible and therefore less subject to the careful scrutiny all would bring to bear. Discipline in demand diminishes as the source of revenue becomes more remote. It is no doubt for this reason that the property tax, as a source of revenue, has always been the exclusive domain of local government and that this should continue to be so.

This is also because the property tax is the least costly tax to administer relative to the amount of the yield. Complexities inherent in income taxation and consumption taxes, to which federal and provincial

governments are geared, do not exist in a property tax; its certainty of collection coupled with the virtual impossibility of avoidance makes this tax particularly well suited to the local scene. Similarly, the close identification of local demand for services coupled with the visibility of local taxation, has led many to believe that somehow the amount of the tax should be directly related to the specific services received; conversely, if one does not directly benefit from a particular service, so it is thought, then one should not be subjected to the levy financing that service. Many expressed this thought and it was particularly emphasized by the elderly, who felt they should not be subject to an education levy. Yet to our knowledge, no one has argued in similar fashion in respect of sales taxes or income taxes, where the need for revenue is accepted as a necessary evil, without confusing the need for revenue per se with the purpose to which that revenue is put. The contradiction becomes more accentuated when it is considered that in the case of education, more than half of the aggregate cost is met from sources other than the property tax. To accept a levy on income without directly related use, but reject a levy on property without directly related use, seems to us to be untenable. It therefore bears emphasizing that the property tax should be seen purely as a means of spreading the cost of local government over all property in its jurisdiction and should not be construed to be a price exacted upon the sale of specific services to specific customers.

There is widespread belief that the property tax is in essence very regressive in its impact. It is interesting to note that more recent academic studies¹ raise serious doubt as to whether this assumption is in fact valid and suggest that the property tax may well have some progressivity on average. Current data available to us seems to indicate that the property tax is more proportionate than progressive when compared to income, with the exception of the lowest income levels, where regressiveness is apparent. It is therefore at those levels where measures to overcome regressiveness must be focussed. The Province has recognized this by means of the Ontario Property Tax Credit, and the Commission believes, as is developed elsewhere in this Report, that the mechanism can be significantly improved.

It was stated earlier that the property tax is in reality a levy on wealth in the form of real property. In this sense, wealth in terms of ownership in real property represents the stake a property owner has in his community and it would seem fair that his responsibility to that community should bear a direct relationship to what he has at stake. It becomes difficult to argue to the contrary, and invariably state that wealth in real estate indicates a lack of capacity to pay. There comes to

¹For example, see R. M. Bird, "The Incidence of the Property Tax: Old Wine in New Bottles?", Canadian Public Policy, II Supplement/Numero Special (1976), pp. 323-334; H. Aaron, Who Pays the Property Tax?, (Washington, D.C., The Brookings Institute, 1975); and R. A. Musgrave, "Is a Property Tax on Housing Regressive?", American Economic Review, Papers and Proceedings, (May, 1974), pp. 222-229.

mind, for example, a middle-aged couple who appeared before the Commission to express their sincere fear that assessment based on market value would result in an increase in their current annual \$800 property tax bill. They felt they simply could not afford more. When asked what they estimated their property to be worth, they indicated they had received (and refused) an offer of \$350,000 in 1972. One could speculate as to the value in 1976, considering the acreage involved and the attractiveness of the residence. There was no doubt that this family had put its heart and future into the property. However, one cannot help but contrast their situation with that faced by a family which rents an apartment above some main street store: the rent includes the property tax paid by the landlord. In this perspective, it becomes quite clear that those who own in excess of \$350,000 worth of property, while harboring honestly felt concern, also have a fundamental capacity as to choice in the deployment of their wealth, whereas many tenants lack that choice in that they lack that wealth. Since the property tax bears directly or indirectly upon all, it becomes repugnant to consider favoured treatment to those who have, by way of incremental penalty upon those who have not.

Some have argued that the base of local financing, restricted by real property as it is, is too confining. Modern cities it is felt, can no longer function properly in such a confining environment and for this reason there should be implemented a municipal income tax. Very little has been said as to how this should be done, but it was seen as fairer because account could be taken of ability-to-pay. Since real incomes have been shown to increase even during recently high inflation, this would be more effective in relieving the pressures on municipalities as a result of inflation.

The development of real property-related revenue to all local governments is shown in Table 1.

Real Property-Related Revenue¹
(Millions of Dollars)

Table 1

	1968	1976	% Increase
Property Taxes	1,282	2,768	116
Provincial Grants	1,005	3,114	210
Total	2,287	5,882	157

¹These figures exclude expenditures financed from miscellaneous revenues and borrowings.

Taken as above, the increase in property tax seems to support such conclusions although the rapid increase in grants relieved much of the pressure. However it should be noted that inflation as measured by the Consumer Price Index during that same period of 1968 to 1976 was 65 percent, while average mill rates increased by only 48 percent. Since mill rates increased at a pace slower than that of inflation, it follows

that property taxes as a percent of inflated income as well as of real income also decreased. As a result, one must conclude by the same argument as that used by income tax proponents, but supported by a more relevant analysis of the underlying data, that the incidence of the property tax has become less rather than more burdensome. It is also clear that this has been accommodated by the increase in grants, which find their source in the Province's general revenues, a goodly part of which consist of income taxes. It follows that in fact, the relief foreseen by use of income-related revenues is now being provided, albeit indirectly.

One should therefore examine whether an improvement would follow a direct municipal income tax levy in partial replacement of provincial grants. There would appear to be two approaches to such a suggestion: a direct municipal income tax levy and a direct sharing of provincial income taxes based on one or more tax points. Precedents as to the first exist in the United States. We state a number of times in this Report that a property tax, or for that matter any tax, cannot be properly judged in isolation but must be seen as one factor in a broader fiscal system. It is simply not valid to conclude that a municipal income tax is a good idea merely because it can be shown to exist elsewhere. While it is not our intent to analyze the fiscal system in the United States, we would take it as given that a municipal income tax in such as New York and Detroit has not proved to be a panacea to the problems that beset those cities. Many would argue that the very existence of such a tax may well have materially contributed to their problems because of the artificial inducement created to relocate offices and the related employment in suburban communities, beyond the reach of the municipal income tax levy. We would foresee such a result to obtain in Ontario, particularly in the Golden Horseshoe area where economic integration has taken place to such a notable extent. It therefore seems to us that a strictly local income tax levy such as exists in American cities, is inappropriate and is likely to yield most undesirable side effects.

Far better it would seem to have a uniform income tax levy in which the Province would collect and distribute taxes to the municipalities. There already exists in Manitoba a program to this effect whereby 2 percent of personal income tax and 1 percent of corporate income tax are reserved for this purpose. Table 2 shows the income-related tax revenues in Ontario for 1976, according to the Province's Financial Report of 1976.

Income-Related Tax Revenues
(Millions of Dollars)

Table 2

Personal Income Tax (net of Ontario Tax Credits)	1,571
Corporation Taxes	1,140
Total	2,711

As was pointed out, total grants to local governments in that year amounted to more than \$3 billion, significantly in excess of all income-related provincial revenues. Similar observations may be made in respect of the provincial sales tax which yielded a total of \$1,328 million in 1976. We fail to see how a municipal income tax or sales tax based on this type of an approach could in any way be of assistance to local government in this Province, and we would therefore reject suggestions along these lines.

Based upon all of the foregoing, the Commission has come to the firm conclusion that the property tax is an appropriate means of defraying costs which remain under a measure of local control.

The Need for Reform

As was observed in Budget Paper E,

The values upon which taxes are currently levied date as far back as 1940. They are values which were determined by local assessors taking into account factors which were important to each municipality but not necessarily important beyond the boundaries of each. During this period, Ontario experienced rapid urbanization and inequities grew within each municipality as new properties were brought onto the assessment roll and the values of older properties were not updated. Meanwhile, the sharing of costs and responsibilities among municipalities, and between municipalities and the Province, steadily increased in importance. As provincial grants were increased over the years, local and provincial financing became more interrelated. Because locally-determined property assessment was the base for sharing many costs and determining grant entitlements, deficiencies in local assessment obviously created inequities in provincial-municipal financing.

The Province adopted a system of equalization factors to correct for the variations in local property assessments. At best, however, these factors could correct only in the total sense for different growth patterns and valuation practices. The factors could not account for changes in the values of individual properties.¹

As will be seen throughout the remainder of the Report these observations need no further elaboration; they stand on their own and the Commission's findings were that they cannot be challenged.

Principles Used in the Development of the Recommendations

It should be evident from earlier observations that the greatest single influence on the relative impact of the property tax is the manner in which assessable value is determined. We stated elsewhere that the property tax should be comparable to the stake a property owner has in his community. We know of no standard other than market value

¹Ontario, Ministry of Treasury, Economics and Intergovernmental Affairs, "Reform of Property Taxation in Ontario", Ontario Budget 1976, (Toronto, 1976) p. 4.

that would accomplish this objective. We know of no standard that, in the preponderance of cases, is capable of being better understood by more people. We therefore concur with the Government's position that market value is the only basis upon which a property tax system with acceptable criteria of fairness and equity may be built and may last. (It became clear however that market value is not devoid of difficulties in its own right and which, when coupled with certain current administrative practices, could lead to unacceptable side effects. The Commission therefore decided to devote a separate chapter of its Report to the subject of assessment.)

Accordingly, the Commission determined its Principle 1 to be:

I:P1 That all real property be assessed at market value.

It is not enough to establish a standard for use in the determination of assessable values unless one also establishes to what base such a standard should be applied. The definition of what is encompassed by real property becomes essential. For example, Section 3(17) of The Assessment Act provides that machinery and equipment used for manufacturing or farming purposes or for the purposes of a concentrator or smelter of ore or metals, including the foundations on which they rest, are exempt from taxation.

This exemption approach addresses itself, not to the nature of the property, but rather to the use of it. As the Select Committee of the Legislature (The White Committee) pointed out:

For example, we see no reason why pin-setting machines in a bowling alley should be considered assessable as real property as is the case at present, while pool tables in a billiard parlor are not.¹

The Commission wholeheartedly agrees with that observation and accordingly considered two alternatives in resolving the situation: either all machinery and equipment ought to be included in the definition of assessable property, or all machinery and equipment ought to be excluded.

If one were to consider the inclusion of machinery and equipment as a viable alternative, a number of practical questions must be answered:

- (1) Considering that the criterion for establishing assessable value is to be market value, are there readily available standards which would permit the application of market value concepts?
- (2) If there are such standards, can they be shown to be sensitive to widely varying incidences of depreciation with both age and use, and of obsolescence?
- (3) Are there at hand clear legal definitions which would allow machinery and equipment to be classified with certainty as real property rather than as personal property?

¹Ontario, Select Committee of the Legislature, Taxation in Ontario: A Program for Reform, Hon. J. H. White, Chairman, (Toronto, 1968), p.34.

With respect to the first question, it is clear by the examples of other provinces¹ that machinery and equipment can in fact be included in the base for assessment purposes; however, we note that none of these provinces effectively employ market value as the standard determinant of assessment value. On the other hand, New Brunswick and Prince Edward Island, the only provinces which now use market value assessment, exclude machinery and equipment from assessable property. This would support a conclusion that the concept of market value, while desirable for real property, is incompatible in respect of machinery and equipment. This does not mean however that some other more arbitrary assessment approach could not be employed.

This leads us to the second question. It would seem if, at first glance, one concluded an arbitrary standard might be feasible for this purpose, then it should be observed that the very nature of machinery and equipment is that it tends to diminish in value, in contrast with real property, which tends to hold or increase its value. This characteristic of depreciation varies considerably with location, with age, with use, with technological development, and with market obsolescence. In many cases most or all of these influences operate simultaneously. It seems self-evident therefore that a further arbitrary approach would need to be devised in order to recognize depreciation in machinery and equipment for assessment valuation purposes.² The ensuing emphasis on an arbitrary standard stands in contradiction to the purpose of the use of market value: to introduce a dispassionate means of measuring in dollar terms the relative permanent stake a taxpayer has in his community as compared with other taxpayers in that community, and the relative assessable wealth of that community as compared with other communities.

It is our understanding that existing legal definitions are inadequate for purposes of a clear distinction between machinery and equipment as real property, as opposed to machinery and equipment as personal property.

As a matter of practicality rather than of principle, one may well point to the administrative difficulties inherent in a tax upon personal property. Real property is fixed in nature. A building does not wander about. A lathe may well be moved.

As a result of these considerations, the Commission concluded that the inclusion of machinery and equipment is not a satisfactory solution

¹British Columbia includes all machinery and equipment, but only for school and hospital tax purposes; Manitoba and Alberta have a system under which the taxing body has the option of either levying a business tax upon a rental roll, or a tax upon manufacturing machinery and equipment only, at half the general rate. Nova Scotia currently includes all machinery and equipment along with other personal properties such as inventories, but has introduced legislation which would eliminate these items from the base. Quebec exempts all machinery and equipment used principally for business purposes.

²Note however remarks made in Chapter II on Assessment relating to depreciation of a building. It does not follow from the above that depreciation is always as difficult and uncertain as it would be in the case of machinery and equipment.

to attaining an assessment base common to all taxpayers. Accordingly, the Commission concurs with the thrust of the recommendation of the Ontario Committee on Taxation,¹ and adopts the following as its Principle 2 as well as its first Recommendation:

I:P2 That real property liable to assessment include land and any building or other structure on it including only such machinery and equipment as is a part of such a building or structure and is used or required primarily for the functional operation of the building or structure or to make it more habitable, and include those foundations as are used in the support of the building or structure only.

It is our intent that the provisions of Section 3(17), which now exempt machinery and equipment used for manufacturing and farming purposes, would henceforth extend to all machinery and equipment used in other businesses as well.

It follows that any other terms, such as land, real estate and realty, used elsewhere in legislation related to assessment, should be removed and replaced by the term "real property", to be defined as suggested above.

If the property tax is to be a means of fairly distributing local costs on the basis of the relative market value of a common real property assessment base as defined in Principle 2, reference must be had to the applicable mill rate.

Relevant legislation now provides that in the case of municipal costs, the mill rate upon residential assessment shall be 85 percent of the mill rate upon commercial and industrial assessment, while in the case of education costs, the residential mill rate shall be 90 percent of the commercial and industrial mill rate. This was originally devised as a means of giving relief to residential property owners. The Commission believes that this method to that end is no longer required in view of its Recommendation in respect of the Ontario Property Tax Credit as related elsewhere in this Report.

Furthermore, having come to the conclusion that the responsibility for meeting local costs, irrespective of their nature, should be directly related to the permanent stake a taxpayer has in his community as measured by the market value of his real property and no other factor, we find a continuation of the so-called "split mill rate" unsupportable.

The Commission therefore concludes that there should be applicable only one mill rate for each local taxing body.² This is in accordance

¹Ontario, The Ontario Committee on Taxation, Report, L. J. Smith, Chairman, Volume II, (Toronto, 1967), p. 70.

²Variations would still occur in the case of special area rates for garbage, sewer, etc., as is of course proper. This is consistent with Smith's recommendation 11:10, (Smith, *ibid.*, p. 86). The White Committee also concurred, (White, *op. cit.*, p. 38).

with the Government's Proposal 3, which supports such a uniform mill rate. The Commission's Principle 3 is therefore:

I:P3 That the present practice of levying different mill rates on residential and commercial properties be discontinued, and instead a uniform mill rate be employed.

We note that this approach is conducive to greater administrative efficiency because of its simplicity. Of perhaps greater importance, it is thought that since assessment anomalies would be eliminated, a uniform mill rate becomes the most direct and more easily understood measure of local spending development over a number of years and will lead to a better perception of difficult local spending decisions.

Some observed that the concept of a "mill rate" is itself poorly understood. Expressing a levy as an amount per thousand dollars is not as commonly accepted as expressing a levy as a percentage. It was therefore suggested that mill rates should be abolished and that percentages should be used instead. We understand and sympathize with this, but we would also observe that mill rates are used in most other provinces and we would fear that a change in Ontario would cause widespread undesirable confusion. We cannot agree with this suggestion, principally for that reason.

The Commission observes that in many instances there now is a distinction in the tax treatment of property, not only related to the nature of the property, but in some cases to the nature of its use (as with machinery and equipment), the nature of the owner, or its location. Since we believe that a property tax should be based on considerations inherent in property and its use, rather than those inherent in the character of its ownership, or in its location, the Commission has adopted the following as its Principle 4:

I:P4 That similar property used for similar purposes be treated in the same manner, irrespective of the status of the owner or its location.

It will be noted that the Principle speaks of treatment to be accorded irrespective of location. This arises from the observation that there are currently private commercial operations conducted in some instances on government property which, since the property itself is exempt, may not attract a business tax. It is obvious of course that location may well have an influence on market value.

As will be seen elsewhere in the Report, the Commission took account of what may be considered the two elements most essential to society: food and shelter.

Summary of Principles

- I:P1 That all real property be assessed at market value.
- I:P2 That real property liable to assessment include land and any building or other structure on it including only such machinery and equipment as is a part of such a building or structure and is used or required primarily for the functional operation of the building or structure or to make it more habitable, and include those foundations as are used in the support of the building or structure only.
- I:P3 That the present practice of levying different mill rates on residential and commercial properties be discontinued, and instead a uniform mill rate be employed.
- I:P4 That similar property used for similar purposes be treated in the same manner, irrespective of the status of the owner or its location.

Summary of Recommendations

- I:R1 That real property liable to assessment include land and any building or other structure on it including only such machinery and equipment as is a part of such a building or structure and is used or required primarily for the functional operation of the building or structure or to make it more habitable, and include those foundations as are used in the support of the building or structure only.

Chapter II

Assessment

It will have become apparent after reading Chapter I of this Report that the assessment process itself is the basis upon which any property tax system stands or falls and that assessment values are the determining factor in relative fairness and equity in the application of a real property tax. This will emerge even more acutely in the light of all of the discussions in respect of the Proposals themselves. The Commission's Recommendations are based on an assumption of the application of market value in a dispassionate, factual manner.

Many submissions indicated a lack of clear understanding of the meaning of the words "market value". We therefore feel it incumbent upon us to provide an explanation of our understanding of market value and by implication, how we feel it should apply in practice in order to give the desired effect to our Recommendations.

The concept of market value as it applies to assessment of real property in Canada finds its acknowledged origin in a bench mark decision handed down in 1951 by the Privy Council,¹ on an appeal of a decision of the Superior Court. The Privy Council addressed its remarks to the meaning of "actual value" as used in real property assessment in the City of Montreal and found it to be the same as market value. On this, the Privy Council remarked:

Their Lordships would agree that where no sale is contemplated and indeed any sale would be difficult what has been called the higgling of the market is not an element of much if any consequence, but nevertheless the ultimate aim is to find the exchange value of the property, i.e., the price at which the property is saleable. In reaching their result the appointed Tribunal must take into account not only the amount which a buyer would give but also the sum at which the owner would sell. What that sum would be is, as the authorities have pointed out, best ascertained either by regarding him as one of the possible purchasers or by estimating what he would be willing to expend on a building to replace that which is being valued. But the owner must be regarded like any other purchaser and the price he would give calculated not upon any subjective value to him but upon ordinary principles, i.e., what he would be prepared to pay, if he was entering the market, for a building to meet his requirements, or would be willing to expend in erecting a building in place of that which is being assessed.

¹The City of Montreal vs. Sun Life Assurance Company of Canada, (1951) Judicial Committee of the Privy Council, 2 D.L.R. 81, (1952).

The Privy Council thereby confirmed the Superior Court decision, in which the Judge outlined five alternative approaches in the determination of the market value of real property:

- (1) A recent free sale of the property itself where neither the conditions of the property nor the market have since changed;
- (2) Recent free sales of identical properties in the same neighbourhood and market;
- (3) Recent free sales of comparable properties;
- (4) The price which the revenue producing possibilities of the property will command;
- (5) The depreciated replacement cost of the property itself.

“Free sale” should be understood to mean a sale by a willing seller to a willing buyer, neither being under a compulsion to act.

We noted that the foregoing outline of the meaning of “market value” was reflected for the first time in The Assessment Act as it then existed by way of an amendment in 1968; the first major revision of that Statute since 1904. It was subsequently incorporated in Section 27(2) of the current Assessment Act, Revised Statutes of Ontario, 1970, which defines market value as “the amount that the land might be expected to realize if sold in the open market by a willing seller to a willing buyer”.

It is with these criteria in mind that we responded to the task at hand. We found that such an approach would have the desired effect in all of the circumstances we considered. For example, while there may be no “market” in the popular sense for real property such as an automobile factory, there is nevertheless a market in this sense to the owner-occupant; the automobile manufacturer himself.

We see these criteria as being listed in the order in which they should apply in the assessment approach. For example, recent free sales of identical properties in the same neighbourhood and market would be a better indicator than the depreciated replacement cost of the property. This does not mean however that the depreciated replacement cost is not valid under other circumstances as a measure of wealth in the form of real property. We would think that the first three criteria would be of particular application to the assessment of residential property. Income generating properties such as apartment buildings, office buildings and shopping plazas, would be valued at their income generating capacity in the absence of relevant sales, while properties of a specialized nature such as manufacturing plants, which do not sell or are not rented on the open market, would be assessed at the land value plus the depreciated replacement cost of the buildings. It will be clear that in many cases values determined under more than one of these criteria will coincide. As explained under Proposal 4, farmland in rural areas which is not subject to any urban population pressure (of which there are few remaining), may sell in a farmer-to-farmer market and since farmers will pay only a price which relates to the income possibility they antici-

pate from such land, both the sales and income criteria would yield very similar results.

We found a great deal of concern related to the quality of assessment as it is now conducted. We found that most of the reasons for criticism found their origin in years prior to 1970, when assessment was carried on as a local function and when some municipalities were motivated to be lax in keeping their assessments up to date. They perceived that this would tend to increase their capacity to attract provincial grants and place them in a more advantageous position with respect to cost-sharing arrangements with other municipalities. Pending the application of market value on a province-wide basis and the required tax reform to make this feasible, assessment values have been frozen at their 1970 levels. While the centralization of the assessment function under the Ministry of Revenue has resulted in speedier updating of assessment rolls, the distortions inherent in past local discrepancies are still with us today, in addition to such continued practices as assessing different classes of property at different levels of value. Assessment values of industrial and commercial property are still seen to be higher than those of residential property; apartments are assessed at higher values than are single residential dwellings.

All of this merely emphasized to us two elements essential to the assessment process: a uniform base on which all properties should be valued on the one hand, and that nothing should be allowed to interfere with that base on the other hand. It followed from this that if special consideration were to be given in respect to certain property, the assessment base itself should never be the means by which this should be brought about. We would observe that this is entirely consistent with the organization of the assessment function today; as noted, it falls under the Ministry of Revenue and as such is divorced from the policy making responsibilities of the Ministry of Treasury, Economics and Intergovernmental Affairs. This organizational feature takes on special meaning and importance in that the assessor must not be in a position in which he might feel he should respond to subjective ability-to-pay perceptions, or any other influence which might relate to policy and political pressures from time to time. It is of paramount importance that nothing interfere with his professional objectivity. In this light, the assessor's own professional competence is obviously relevant and we took note of the fact that standards of training are high and that significant upgrading has taken place since 1970.

It will be clear from the foregoing that the assessing function carries with it great responsibility. The number of assessable properties in Ontario now amounts to some 3.5 million. It is apparent that with market value as the base, together with the enormity of the task reflected in the number of properties, it is mandatory that a review of market values be conducted on the basis of a two year cycle. Market values for 1975 are now available for use on revised assessment rolls to be returned

in the summer of 1977. In order to ensure that taxpayers clearly understand this, we recommend:

II:R1 That the 1977 assessment notices state that the assessed value is 1975 market value.

Section 90 of The Assessment Act now directs the Court that, when determining the assessment value of real property, reference must be had to the value at which similar real property in the vicinity is assessed and that an assessment may be altered only if it can be shown that the assessment is inequitable with respect to that of similar real property in the vicinity.

The application of this Section has reinforced discrimination between classes of real property. We view it to be inconsistent with the requirements of assessment based on market value and accordingly, we recommend:

II:R2 That Section 90 of The Assessment Act be repealed.

As is stated throughout the body of this Report, the Commission had access to test data in the course of its deliberations, particularly during the latter part of its proceedings. For obvious reasons such data has not yet been widely exposed to public scrutiny and we think this to be one of the reasons for the great uncertainty with which the public has reacted to the Government's Proposals for the reform of property taxation in Ontario. We noted with favour that it is intended that the Government will conduct "open house" sessions in which the public will have an opportunity to be informed of the shifts, if any, resulting from market value assessment together with the implementation of tax reform measures. We believe this to be a positive step which should lead to a better understanding of the system, and accordingly we recommend:

II:R3 That the Government conduct "open house" sessions in the course of 1977 so that the public may be better informed as to the impact of market value assessment and tax reform measures as they will apply when implemented.

There is widespread dismay among the public in respect of the manner in which the assessment function is conducted. When a taxpayer seeks to obtain information on his assessment, he is faced with a confusing maze of manuals, formulae and factors out of which he can make little or no sense (nor can the assessor in some cases, we suspect). In addition, the degree of confidentiality required to protect the privacy of individual property owners is seen as a screen of secrecy devised to frustrate the possibility of an assessment appeal. All of this should disappear to a great extent over time as the public becomes accustomed to market value assessment, although obviously there will remain areas of confidentiality, such as in cases where income and construction costs are used for assessment purposes.

A definite, urgent need for consistency in assessment practices and procedures across the Province has been demonstrated to us time and again. In this connection, a number of briefs suggested that a body be established which would review ratios between assessment values and sale values for the various regions. Such a body would then have the power to require the Government to correct the rolls where there is evidence of distortive deviations. We feel however that market value assessment itself, when coupled with a better public understanding such as we believe will inevitably emerge and with the continued possibility for appeal, should make such a body unnecessary.

Some have observed that the Assessment Review Court sits during the day only. This makes it difficult for the average ratepayer to attend a proceeding and this would therefore serve as an undesirable deterrent to an effective exercise of the right to appeal. We feel that accessibility should be made as easy as is possible, and accordingly we recommend:

II:R4 That Assessment Review Courts extend their hearings to some evenings.

In addition, based on our own experience of public meetings across the Province, the manner in which the hearings themselves are conducted is of considerable importance. We have noticed that in many instances, members of the public argue themselves into being intimidated even before appearing before a group such as this Commission. Such self-created feelings of intimidation may be substantially overcome by the sensitivity and informality with which such groups conduct themselves and we found that in particular the Chairman can do much in this regard by creating an atmosphere of easy informality.

Summary of Recommendations

- II:R1 That the 1977 assessment notices state that the assessed value is 1975 market value.**
- II:R2 That Section 90 of The Assessment Act be repealed.**
- II:R3 That the Government conduct "open house" sessions in the course of 1977 so that the public may be better informed as to the impact of market value assessment and tax reform measures as they will apply when implemented.**
- II:R4 That Assessment Review Courts extend their hearings to some evenings.**

Chapter III

A Proposed Property Tax System

The discussion contained in this chapter follows in the same sequence as that presented in Budget Paper E.

1. Taxes on Residences

Residences in Ontario, collectively, will bear a reduced share of property taxes.

In its analysis, the Government points out that residences now bear approximately 50 percent of the total property taxes in Ontario. More precisely, the breakdown of the property taxes in Ontario by the present classes of property in 1975 appears in Table 3.

1975 Property Taxes
(Millions of Dollars)

Table 3

		%
Residential	1,295	53
Commercial and Industrial	608	25
Business	276	11
Sub-Total	<u>2,179</u>	<u>89</u>
Payments by Government in Lieu of Taxes, Supplementary Property Taxes, Special Charges and Telephone and Telegraph Taxes	254	11
Total	<u><u>2,433</u></u>	<u><u>100</u></u>

The Government states as its objective that the residences' share of the total property tax should be reduced, and that this should be done by means of a 50 percent reduction in the market value of residences for taxable assessment purposes.

Upon first examination, this would appear to be a departure from the consistency in the structure of the Government's Proposals and from the Principles established by the Commission for the development of its Recommendations.

As was explained earlier, market value is the only means known to the Commission by which there may be established fairness in the

relative responsibility between taxpayers when measured by the proportionate value of the stake represented by the value of property. This is valid as between residential property owners, as between commercial and industrial property owners, and as between municipalities and school boards. It is however not necessarily valid as between the class of residential property owners and the class of commercial and industrial property owners. The Commission has come to this conclusion on the basis of the following considerations:

- (1) As was pointed out elsewhere, the property tax cannot be examined in isolation from other aspects of the overall fiscal system. In contrast with some other countries (notably the United States), the personal income tax system in Canada, and therefore Ontario, does not allow residential property tax as a reduction of income for income tax purposes,¹ while in the case of commercial and industrial property taxes, a deduction is allowed for that purpose as a business expense. It is therefore clear that the property tax bears proportionately more heavily on residential property owners than it does on commercial and industrial property owners.
- (2) As is well known, residential property values have in the last five to eight years increased at a much accelerated rate, and by much more than the increase in values of commercial and industrial property. If market value had been in effect without any distinction between property classes throughout this period, it is estimated that in 1975 residential property (as then defined) would have accounted for \$1,634 million instead of \$1,295 million, an increase of \$338 million or 26 percent, while the burden upon commercial and industrial property would have decreased by the same \$338 million or almost 40 percent. This would have been true even if there had been no change whatever in the actual number of properties, and therefore no change in the causes underlying the local expenditure structure as between these two classes. To conclude that a situation, static in all respects except for the rate of escalation in market value, should give rise to a shift in burden between these classes of property, seems to us unsupportable, especially when reviewed in the perspective of point (1) above.
- (3) It was stated earlier in a different context that the Commission could not support measures for Ontario property tax reform which would as a consequence cause an accidental, significant loss of resources heretofore available to the Province and the municipalities. The interaction of property taxes and income taxes was explored in a somewhat different context, but the same observations prevail here. If market value were to be applied

¹It should be noted that the Commission agrees that this should be so, and we explain our reasons for this under Proposal 15.

without distinction between residential property and commercial and industrial property, then the estimated shift in taxes of \$338 million would, by operation of the income tax, cause a shift of revenue to the Federal Government. While such shifts of mere incidental impact would not be objectionable, shifts of considerable magnitude would.

- (4) Many commentators have observed that tax systems of broad application have a proportionately broad influence on the conduct of the affairs of all. There is no doubt that under the existing property tax system, which has been in effect for many years, individuals and business collectively have grown to accept an equilibrium which in itself is of fundamental importance to the very economic fabric of the Province. It seems to us unwise that the pursuit of reform in search of fairness should cause sizeable interference with this equilibrium: disturbances of this possible magnitude may, in their own right, be far more damaging than existing inequities.¹

Reflecting upon all of the foregoing, the Commission agrees that residential property should be assessed so that this class of property (as redefined under Proposal 2) as a result of the implementation of market value assessment, would not be subjected to a greater tax burden than would be the case under the present system. The Commission believes, recognizing that residential property values doubled when compared to the values of commercial and industrial property, an initial implementation based on 50 percent of residential market values would be appropriate, and accordingly we recommend:

III.1:R1 That residential property together with a reasonable amount of land be subject to a taxable assessment at 50 percent of its market value.

A review of a considerable amount of test data supports the conclusion that, given the same local expenditure level, the property tax burden upon the class of residential property would be reduced when compared to the present system. We also note that market value as a standard is itself subject to constant change by its very nature. In order to ensure that the objective of this Recommendation becomes a constant feature of the revised property tax system, the Commission recommends:

III.1:R2 That the appropriateness of the residential market value percentage be reviewed by means of monitoring the real estate market, and that if necessary this percentage be revised each two years, coinciding with the return of assessment rolls (see Proposal 9).

¹We note that similar observations were made by virtually all experts during the dissemination of "The Carter Report"; Canada, Royal Commission on Taxation, Report, (Ottawa, Queen's Printer, 1966-67).

We are attracted by the simplicity of an initial 50 percent approach, and would hope that some of this simplicity and its attendant ease of understanding may be maintained. For this reason, and for purposes of practical administration, we recommend:

III.1:R3 That necessary revisions in this percentage be made in increments of no less than 5 percentage points.

In this, the Commission has recognized that in future years, the operation of the real estate market could well indicate a faster rise in commercial and industrial property than in residential property. It would then follow that residential property should be taxed on an assessment greater than 50 percent of market value.

As was observed earlier, the Commission believes that market value assessment is the only means by which the property tax burden may be distributed fairly over properties in a class, and this Proposal ensures that the burden on the residential property class in the Province as a whole will be reduced. This will hold true in almost all municipalities. It should be emphasized however that this does not mean that the property tax which falls upon each residence will be reduced. There is no doubt that there will be significant reductions on some, as indeed there will be significant increases on others. It is clear that the sometimes wide discrepancy in the adjustment of current individual taxes is evidence of the equally great unfairness currently prevailing as a result of historical and arbitrary assessment practices. This is most vividly brought to light when the effect of market value assessment and the Proposals is measured in the larger urban areas: taxes on multiple residential rental units will decrease more substantially than those on single family dwellings. For example, a comparison for Metropolitan Toronto appears in Table 4.

Residences: Metro Toronto

Table 4

	Number of Residences	Average Assessment Per Residence		Present Assessment as a Percent of Market Value
		Present	Market Value	
Single Family Residences including Condominiums	365,568	\$5,638	\$63,683	8.9
Properties containing more than 6 Residences	284,810	\$3,990	\$18,368	21.7

Table 4 shows clearly that single family dwellings have been assessed at a much lower percentage of market value than have multiple residential rental units, and have therefore been subjected to much lower taxes. The discrepancy indicates that the historically much higher tax burden on multiple rental units has in effect served to subsidize the obviously favoured treatment of the single family residence. It should be realized that the property tax is incorporated in the rent structure,

and the Commission felt concern that the changes in the property tax resulting from market value assessment should be passed on to those who have the enjoyment and use of a property as a dwelling or business locale. More specifically, we did not feel that the owner of a rental building should reap a windfall benefit out of property tax reform because of existing lease agreements, nor should he be penalized as a consequence of the introduction of reform into existing contractual arrangements. Accordingly, the Commission recommends:

III.1:R4 That, where taxes change as a consequence of tax reform, legislation be enacted to provide that notwithstanding existing contractual obligations, an owner may increase rental charges in the amount of such an increase in taxes, while a tenant may claim from the owner any such decrease in taxes; and that this provision operate during the term of any existing lease or for a period of five years, whichever is the shorter.

It should be pointed out that single family residential units incorporate the more recently popular condominiums, which have an individual market value far in excess of equivalent rental units in similar buildings. For example, a building with 100 rental units might sell for a price of \$20,000 per unit, for an aggregate value of \$2 million; whereas individual condominiums in a similar building could sell for \$50,000, for a collective value of \$5 million.

This would appear to be a manifestation of the operation of two levels of the real estate market and the natural differential between these two: a wholesale market for rental buildings, and a retail market for individual condominiums. A number of submissions suggested that some differential factor should be applied to the market value of multiple rental units in order to overcome what was seen as an unequal, and therefore unfair, result.

However, it is not at all clear that a conclusion of unfairness and indeed inequality, can be maintained upon detailed examination. As was pointed out earlier, the property tax is a levy on wealth in the form of real property, which represents the permanent stake a property owner has in his community. It seems fair that such a property owner's responsibility should bear a direct relationship to what he has at stake. Furthermore, those who own property also have a choice in the deployment of their wealth, while most of those who rent lack that choice in that they lack that wealth. Consistent with this, other submissions have argued that there is a fundamental distinction in the quality of enjoyment of a dwelling that comes with ownership as opposed to tenancy, and that this quality differential is a factor in the difference between the two market levels. The Commission believes that the application of its Principle 4 remains valid in these circumstances:

I:P4 That similar property used for similar purposes be treated in the same manner, irrespective of the status of the owner or its location.

The Commission therefore considers that a significant tax reduction on multiple residential rental dwellings is not indicative of future distortion and unfairness, but rather of past distortion and unfairness, the correction of which is long past due. We therefore reject the suggestion that a differential be applied within the residential property class, since the result would be a continuation of past discriminatory practices.

A number of submissions expressed fear that the use of market value for assessment purposes will cause a sizeable and undesirable increase in property taxes on older housing units, and that this will be particularly damaging to older residential areas in the urban core, thought to be occupied principally by immigrant groups and the elderly. It was pointed out that market values in such areas have risen rapidly, and that this was particularly brought about by "white painters", who move into such a neighbourhood, purchase property, renovate and sell at much higher values. This appears to be especially prevalent in the City of Toronto, where significant numbers of young professional people seem to have reversed the longing for suburbia which was typical of an earlier generation. It was suggested that the implementation of market value would destroy the nature and character of such areas, and it was felt that market value should be modified in these circumstances.

When thought through to its consequence, it would appear this suggestion would merely enshrine for many more years the very practice which has led to such significant distortions in the past: the assessment of residential property with reference to the status of the occupants rather than to the nature of the property itself. The basic problem is that while such "social assessment" may give the result sought initially, it subsequently does not attach to the occupant but rather to the property, irrespective of the status of any subsequent occupants, so that an element of subsidy is created which rapidly becomes inappropriate. This is obviously undesirable.

There are for example no fewer than 37,000 residential properties in the City of Toronto which benefit from graded exemptions, resulting in exceptionally low taxes. These exemptions find their origin in the desire to grant preferred tax treatment to veterans of World War I. One may well speculate how few of these properties are today still occupied by these veterans. It is evident that the anticipated consequential problems do not arise out of national origin, or out of age, or out of any other individual characteristics, but for one: a lack of income. It is therefore on this problem that the Commission has focussed what it believes will be an effective solution. This is explained in detail in our comments under Proposal 15.

It was brought to our attention that in the past, difficulties were experienced in allocating some tax responsibility to mobile homes. The character of this type of residential unit is such that, in law, it was

unclear for many years whether this type of residence was real property, and therefore assessable to property tax, or whether it was personal property and therefore not assessable to property tax. Accordingly, a system of municipal licence fees was established in order to ensure that such residences contributed in some measure to the community in which they participated. More recently, a court decision¹ determined that a mobile home from which the wheels were removed became sufficiently fixed in character so as to be considered real property; in such circumstances the mobile home therefore became assessable, but if the wheels were left in place, it continued to be exempt.

The Commission believes that such dwellings should, in all circumstances, contribute a reasonable share to the local revenue. Accordingly, we recommend:

III.1:R5 That mobile homes which qualify as real property and a reasonable amount of land be subject to a taxable assessment at 50 percent of their market value as are all other residences, and that those which would not meet the real property test, be subject to a licence fee of up to \$20 per month, regardless of location; and that the aggregate yield of such licence fees then be distributed to each of the bodies entitled to share therein, in the same proportion as they would have shared had the mobile home been taxable residential property.

It is our understanding that there are now effective criteria based on occupancy which would allow a distinction between a “mobile home” and a trailer. These would of course continue to be of the same relevance and therefore of the same use.

Summary of Recommendations

III.1:R1 That residential property together with a reasonable amount of land be subject to a taxable assessment at 50 percent of its market value.

III.1:R2 That the appropriateness of the residential market value percentage be reviewed by means of monitoring the real estate market, and that if necessary this percentage be revised each two years, coinciding with the return of assessment rolls (see Proposal 9).

III.1:R3 That necessary revisions in this percentage be made in increments of no less than 5 percentage points.

III.1:R4 That, where taxes change as a consequence of tax reform, legislation be enacted to provide that notwithstanding existing contractual obligations, an owner may increase rental charges

¹Frederick Rupert et al, and the Sault Ste. Marie Board of Education and the Regional Assessment Commissioner Region No. 31, District Court of Algoma, (September, 1974).

in the amount of such an increase in taxes, while a tenant may claim from the owner any such decrease in taxes; and that this provision operate during the term of any existing lease or for a period of five years, whichever is the shorter.

- III.1:R5** That mobile homes which qualify as real property and a reasonable amount of land be subject to a taxable assessment at 50 percent of their market value as are all other residences, and that those which would not meet the real property test, be subject to a licence fee of up to \$20 per month, regardless of location; and that the aggregate yield of such licence fees then be distributed to each of the bodies entitled to share therein, in the same proportion as they would have shared had the mobile home been taxable residential property.

2. Residential Property Redefined

Residential property will be redefined to include only residences and a reasonable amount of land.

Once it is concluded that residences, for reasons outlined under Proposal 1, should be treated in a manner quite distinct from all other property by way of a reduction in the market value for taxable assessment purposes, it follows that a definition of "residential property" becomes essential. Under current practices, the classification of "residential property" really constitutes a catch-all basin for property not specifically included elsewhere: most property that is not subjected to a business tax is now considered to be residential property. Examples are vacant commercial and industrial property, vacant land, some golf courses, lodges, clubs, associations, and land owned by conservation authorities; all of these are now taxed at the residential mill rate. Pipelines and railway rights-of-way are also included but in these cases the tax is levied at the commercial mill rate.

The Commission considers that only such property which exists to provide shelter in the nature of a residence (as contrasted with shelter to accommodate a temporary sojourn) should qualify for this classification, and that a reasonable amount of land should be included. We foresee that this definition would encompass the following:

single family residences, recreational residences, farm residences, condominiums, multiple rental residences, student residences, homes for the aged, nursing homes, mobile homes which qualify as real property and all other similar types of property.

Many submissions queried the application of the word "reasonable" in the context of a "reasonable amount of land", and feared that unless a precise definition of the term for this purpose is provided by way of legislation, there would prevail an unacceptable degree of

uncertainty as to the taxable status of land adjoining some residential properties.

While we sympathize with the reasons for this suggestion, we must take account of the vast diversity of standards in municipalities throughout this province: what would be “reasonable” in the core area of the City of Toronto would most certainly be unreasonably restrictive in rural surroundings. Conversely, “reasonable” in a rural setting would be laughably bountiful in downtown Windsor. It is for this reason that the Commission rejects a rigid, legislated definition. A more flexible approach, capable of recognizing local practices and standards, and which can be applied with a sensible degree of liberality so as to avoid unintended distortions, seems more appropriate. Accordingly, the Commission recommends:

III.2:R1 That the practical consideration of what constitutes a reasonable amount of land to be included in the residential class in each instance be judged on the individual circumstances.

We believe that this approach should operate to the benefit of all residential property owners.

Having defined “residential property” for purposes of the application of Proposal 1, we must deal in turn with all properties which heretofore fell into this category.

Land

Included in this category is all land to which the business tax does not now apply, and by way of example, would include such as recreational land, vacant land other than that which is classified as farmland, and vacant land being held for development (whether zoned for this purpose or not). As was pointed out in the development of the Commission’s framework of principles, we hold that all real property should be assessed at market value. It is only in the case of residential property, as redefined, that taxable assessment differs from market value assessment by an initial 50 percent, for reasons developed under the discussion of Proposal 1. We are cognizant of the fact that this distinction could be seen to give rise to a consequential distortion. An example will illustrate.

Assume a vacant lot, worth say \$50,000, carries a taxable assessment at 100 percent of market value. A building permit is issued and a standard bungalow is built for a cost of \$36,000. There now exists a residential property with a value of \$86,000, and which carries a taxable assessment of \$43,000 under the application of Proposal 1. The lot with the residential dwelling carries a taxable assessment lower than the taxable assessment of the empty lot by \$7,000. This would seem illogical, and at least one municipal submission observed that, taken at the extreme, a municipal council hungry for tax revenue but shy of a mill rate increase might ultimately be tempted to engage in

planning based on narrow taxable assessment criteria only. One might conclude that the obvious solution to this quandary would be to extend Proposal 1 to such vacant land as well. In that event, the opposite would occur: the taxable assessment would suddenly double if development for any purpose other than residential use were to take place.

On balance, the Commission considers that the fears illustrated in the foregoing example have no practical foundation in reality. Empirical observation supports the conclusion that it is highly unlikely that a residential lot will be developed for a dwelling which alone has a cost less than the lot itself. Such a property will not be sufficiently pleasing in its amenities to attract a buyer for the price implied. Far more likely, the cost of the house will exceed the value of the lot, or at worst be equal to it; we do not believe that the postulated consequences can arise. Furthermore, we firmly believe that the reasoning outlined elsewhere is valid; since land alone cannot possibly provide shelter in its own right, we conclude that the definition of "residential property" should not be broadened to include vacant land, whether held for ultimate residential purposes, or for commercial and industrial purposes. This is consistent with our Principle 4.

Based on our review of test data, a taxable assessment of vacant land at 100 percent of market value will result in considerable tax increases. This flows from past assessment practice, under which vacant land was generally grossly underassessed. It might well be argued that this alone will make the mere holding of land for future value increments much less attractive, and that this would therefore tend to discourage those who might otherwise invest to this end. The result might be a moderating influence in the price of land where the greatest pressure now exists.

Our reasoning on land is developed further as to other aspects in the discussion of Proposal 4, where the Commission outlines its conclusion in respect of farmland, and in the discussion of Proposal 5 on the subject of the business tax.

Land Used for Recreational Purposes

It seems appropriate to recognize that while much land may simply be vacant, by no means does all vacant land lie idle. This is the case of land used for recreational purposes, which is demonstrably vacant, its use being to provide the space used for a host of cavorting endeavours. Examples are golf courses, ski resorts, camp grounds, vacation resorts, lodges, and generally those establishments of a recreational character which by their very nature require a degree of land-intensive investment in order to provide the basis for a viable operation.

We received many submissions from operators of such establishments, and the fear expressed was common to all: given the land-intensive characteristic, assessment at market value (which might

reflect the highest and best use of the land) would result in taxes of such magnitude as to eliminate entirely a continuation of the current use of the land. A variety of suggestions was offered to resolve this obviously undesirable consequence. Most of these originated from golf course submissions, of which there were many, but the same thoughts were expressed elsewhere as well.

The most often repeated suggestion, offered also in submissions on some of the other Proposals, was that a golf course should be assessed at market value on the basis of its use as a golf course, and not on the basis of its potential for development. However, it should be remembered that the process of assessment at market value, if it is to be effective, can take account only of values already established by a market consisting of willing buyers and willing sellers acting without coercion. Market values are observed rather than assumed, and it is observable that a golf course, particularly in the middle of a highly developed urban area, is worth a great deal of money, out of all proportion to the game of golf itself. It is not reasonable to suggest the assessment should stand ignorant of this, since otherwise many if not most property owners would hasten to make a similar plea for equally well founded reasons, and the entire search for a dispassionate standard of assessment would stand for nought.

Another possibility suggested itself. One golf course had entered into a contract with a municipality under which it was agreed that for consideration received, the golf course owners would be obliged to use the land for the game of golf only, and that if the land were to be sold at a future date, the owners would impose, as a condition of sale, that the prospective buyer enter into a similar contract with the municipality. If such a contract could be shown to be binding upon both the municipality and the owners, then the effect of this arrangement would be to guarantee that the land could only be used for golfing, and that this would therefore be its highest and best use since it would be its only use. Assessment values would then need to recognize this restriction. Based upon legal advice available to us, there is reason to believe that such a contract could be set aside under a variety of circumstances, so that it is unlikely that the postulated result could be reflected in the assessment value. Mechanisms based on zoning are frustrated for similar reasons. This is why we do not believe that suggestions made by the Committee on Golf Course Assessment and Taxation based on special zoning arrangements can be implemented effectively.

Not only golf course representatives expressed their concerns; these were shared by and repeated frequently in municipal submissions as well, particularly by those municipalities which had golf courses nestled within their built-up areas, and which stressed the value of such well-maintained open space, not only to those who play the game, but to all of those who reside in the community and thereby enjoy the pleasing environment. It was stressed that in the winter season even

golf land belonging to private clubs in many instances was open to the general public for tobogganing and cross country skiing and to snowmobile aficionados. Even the oxygen generating capacity was paraded before us as sound reason for a concession in property taxation.¹ Municipalities, rightly feeling responsible for the creation and maintenance of a pleasant living environment, feared that they might have to allocate considerable capital to the purchase of golf courses in order to maintain the necessary open space as parkland. Such fears were by no means restricted to golf course land, but applied to other recreational land as well. There are areas in the province where, by accident of climate, topography and the presence of lakes, tourism is vital to the local economy. The fear here is not so much the conversion of land to other uses, but rather a significant erosion of the economic viability of a community as a whole.

We would consider it anomalous if the property tax as a major source of funds to the local public purse, should be the cause of a large disbursement from that same purse in order to preserve existing open space. Similarly, we would consider it anomalous if the property tax were to be a significant factor in undermining the very economic fabric which in turn supports the public purse.

There is however another aspect. We were repeatedly assured that most owners of property such as golf courses, camp grounds and ski resorts had no interest whatever in selling their land for conversion to other uses: all they wished was a continuation of the peaceful pursuit of golfing, camping and skiing. This attitude was maintained even when it was pointed out that in some instances capital gains were rapidly accruing, to some magnificent magnitude indeed. No one, of course, can assure any one today as to the conduct and attitude of those who are to succeed him.

Reflecting upon the foregoing, the Commission believes that the proposed tax system should not operate so as to interfere with recreational activities. The Commission also believes that recreation does not qualify for consideration as a factor essential to life itself, but nevertheless merits recognition as a factor essential to the quality of life. Yet it is unacceptable that those who in many instances enjoy at least the capacity for significant gain, albeit only upon collective action, should escape their fair share of tax responsibility to the community as measured by the value of their property.

A solution which suggests itself is the application of existing legislation, which empowers a municipality to enter into an agreement with golf courses to fix the assessed value artificially so as to keep the property tax burden on a golf course to a reasonable level. The amount of the tax foregone accumulates during the life of the agreement, and becomes

¹Some perspective is perhaps required: the capacity to generate oxygen is by no means exclusive to golf courses.

collectible when the agreement is abrogated, normally upon the sale of the land or upon its conversion to another use. However, this approach is not compatible with market value assessment, which is essential as a measure of relative taxable wealth as between municipalities.

It was pointed out to us that in some cases municipalities had refused to enter into fixed assessment agreements with golf courses. Such an attitude gave us considerable concern, bearing in mind the tax increases which would likely result with the introduction of market value assessment. It was unacceptable in our view that short-sighted municipal officials with a planning span geared to political circumstance, would by virtue of such lack of perspective make a decision that could now have the effect of leaving future generations surrounded by concrete. We therefore thought it fair that if a municipality refused under market value assessment to extend similar assistance to golf courses, then the municipality should be made to purchase that golf course at its market value. We are advised that for legal reasons this would not be advisable, appropriate though it seemed. Furthermore, we believe that the existing legislation is too narrow in its application under a market value system, as it addresses itself only to golf courses. The problem is by no means unique to golf courses, but is shared by all land-intensive recreational enterprises.

Accordingly, the Commission recommends as follows:

III.2:R2 That existing legislation, empowering municipalities to enter into fixed assessment agreements with golf courses be rescinded and be replaced with legislation which will permit the owner of such recreational property as described, to apply to the local municipal council for a deferment of up to 50 percent of the total property tax (other than local improvement charges) applicable to the relevant land only; and that the deferred taxes be accumulated on the books of the municipality, together with simple interest thereon at the weighted average annual bank prime lending rate, to be recoverable upon the sale of that land for purposes other than its current use or upon its conversion to other uses.

This deferment Recommendation could be made to work most effectively if a municipality and an owner of recreational land as described were to conclude the required agreement in advance of the year in which market value is to become operative. This should be an important consideration in scheduling the tabling of the necessary legislation. We note that the Committee on Golf Course Assessment and Taxation recommended a provision for an appeal to the Ontario Municipal Board. We feel however that there exists a clear need, both here and elsewhere, for a demonstration of local responsibility without the possibility of escaping painful decisions by placing the onus on another body.

We see our Recommendation to be a logical solution to a thorny problem:

- (1) The relief granted should overcome the severe financial difficulties which might otherwise seriously interfere with a number of desirable activities on the one hand, and with general benefits to a community on the other hand.
- (2) The relief granted does not operate so as to exonerate those who own such property from their fiscal responsibility to the community, and therefore remains within the framework of the principles established by the Commission.
- (3) A measure of the financial cost of the deferment is recognized, and will operate to the benefit of the community in those circumstances when such benefit is most required.
- (4) Since the deferment operates on the total property tax bill (exclusive of local improvement charges) which applies to the land in question, no effect is passed on to other tax sharing bodies. This is correct in our view, since, within local government, environmental considerations are the domain of the municipal government and it is therefore the municipal mill rate which should reflect the cost inherent in the maintenance of a pleasing environment.

We are aware that some (not all) golf course owners felt that the equity of their ownership would be significantly eroded over time by the accumulation of a potential claim in the hands of the municipality. We acknowledge that this could be the case, but we must also recognize that this claim would only have effect when, upon reflecting, an owner felt that an undertaking to provide a golf course forever should perhaps not mean a golf course in perpetuity. It would seem one should be mindful of other taxpayers who meet their obligations currently, without the benefit of deferment, and we therefore reject protestations based on the erosion of equity.¹

Having outlined the reasoning leading to our Recommendation, we must stress that we do not consider this Recommendation to be applicable to recreational land owned by the Province or any other government body. It is our view that if land, provided for the use of the public at large, were to be included under the deferment Recommendation, it would place an unfair onus on the local community. The community would have to finance the tax foregone on an amenity intended as a benefit, to those who do not reside in that community. We also would not extend the Recommendation to an individual owner of a parcel of private recreational land and who thereby demonstrates a deployment of wealth in order to ensure privacy and exclusivity to his own proclivity to frolic as he will. There is no cogent reason to consider preferred tax treatment in these circumstances.

¹This is in contrast with the position of the Committee on Golf Course Assessment and Taxation, Ontario, Report, (Toronto, February, 1972), which recommended a 10 year limitation. We would point to our distinction in respect of food and shelter.

Railway Rights-of-Way and Other Railway Property

Section 38(2) of The Assessment Act requires that railway rights-of-way be assessed at a value determined by the value at which real property in the immediate vicinity is assessed. We consider that this is unfair. Since the valuation itself is established by formula, the railway would be required to appeal the assessments of all properties in the immediate vicinity. As a result, the right of appeal is not effectively available to a railway. We would also point out that with the advent of market value, this situation will be considerably exacerbated: market value of residential property in the immediate vicinity could be considerable, principally because it is capable of being residential property. Market value of a railway right-of-way would be quite another matter, because of the nature, the shape and the size of the entitlement. The characteristics of the property itself severely restrict its potential for alternative use, and this should have a significant impact upon the market value. We therefore recommend:

III.2:R3 That Section 38(2) of The Assessment Act be rescinded, and that railway rights-of-way be assessed at a market value related to the characteristics of such property.

Certain railway property is now neither assessed nor taxed. Examples are express warehouses, round houses and office buildings put to an alternate use. This is inconsistent with the Commission's framework of principles. Accordingly, we recommend:

III.2:R4 That all real property owned by a railway, including railway buildings and other similar structures, but not including bridges, be assessed at and taxed on 100 percent of its market value.

We exclude bridges from this Recommendation, in that they appear to be no more than a means of allowing rails, which are not assessable, to be laid across a highway or river, neither of which is assessable.

It should be noted that the discussion of railway rights-of-way and accordingly the ensuing Recommendations should apply equally to other similar property so restricted, such as that of Ontario Hydro and local public utilities.

Lodges and Associations

For reasons observed earlier, real property owned by lodges and associations has heretofore by default been taxed as though it were residential property. Examples are real property owned by such as credit unions, the Ontario Motor League, a variety of business associations, fraternal associations and other similar organizations. Such property is now subject to the residential mill rate. In addition, property owned by the Navy League and the Canadian Legion and other veterans' associations benefits from permissive legislation which allows an exemption for municipal tax purposes other than local improvement charges, but not for school tax purposes.

Pursuant to our framework of principles, and in the light of reasoning developed under Proposal 1, we see no good cause to extend the treatment exclusively developed for residential property to property of this type. It therefore follows that we recommend:

III.2:R5 That property owned by lodges and associations such as described, be assessed at and taxed on 100 percent of its market value.

We acknowledge the lasting debt owed by society to those who risked life and limb to protect those too young, too old or too infirm to protect themselves. We think it laudable that those who shared danger should seek to provide a means to preserve their camaraderie. We do not however accept the proposition that such recreational facilities should be supported by means of favoured property tax treatment. Were this to be so, then for even more acute reasons one would need to extend favoured treatment to those who truly lost in war and calamity: there come to mind mothers who lost sons and wives who lost husbands. None would argue that these, who not only risked, but also lost beyond measure, should escape their continuing responsibility to the community in which they live and participate. We therefore recommend:

III.2:R6 That permissive legislation, which allows for favoured tax treatment of property owned by the Navy League, and the Canadian Legion, and other veterans' associations be withdrawn, and that such property be assessed at and taxed on 100 percent of market value.

We would note however that our Recommendations under Proposals 5 and 7 may be of relevance.

Pipelines

Consistent with the unique nature of this type of real property, The Assessment Act now provides that an assessment value expressed at a money rate per foot of length shall apply. These rates vary with the size and nature of the pipe. We accept that this treatment is appropriate, but in the light of the implementation of market value, we recommend:

III.2:R7 That rates applied per foot of length of pipeline be reviewed and revised each two years, coinciding with the return of assessment rolls, so that these rates may reflect the relative change in the market value of other real property.

Bridges

Bridges generally are not now assessable property, and this is consistent with the Government's observation under Proposal 6, under which highways would continue to be exempt from assessment. We note however, that there exist agreements under which an international bridge authority may make grants in lieu of taxes to the affected com-

munities on either side of the border. We would emphasize that the exemption should not interfere with such existing arrangements.

Subject to the foregoing remarks, it should be understood that we do not intend that embankments or approaches to a bridge, adjoining parkland and toll booths would be exempt from assessment: we intend the exemption to apply only to the bridge structure proper as no more than an individual extension of a highway or a railway.

Conservation Authorities

We received submissions from a number of conservation authorities, as well as from the Chairman's Committee of Conservation Authorities. Not unnaturally, the basic concerns expressed were common to all. These were:

- If the real property of a conservation authority were to be assessed at 100 percent of market value, the amount of the resulting property tax would be of such magnitude as to eliminate the possibility of continued operation for purposes of conservation.
- Even if this worst of consequences were not to occur, then funds would certainly no longer be available for the future acquisition of conservation lands.

In order to provide some perspective to these objections, it is necessary that funding arrangements supporting a conservation authority be properly understood. Briefly, monies required derive from three sources: admission fees, the Province of Ontario, and the municipalities contributing to a conservation authority. After deducting admission fees, 50 percent of the remaining net budget is met by the Province by way of a grant, while the balance is met by way of a levy on the municipalities concerned.

As will be observed under Proposal 14, it is foreseen that property taxes may be included in a conservation authority's budget for grant purposes. Accordingly, half of the property tax could be met by the Province, while the remaining half could be recovered from the participating local governments who together collect 100 percent of that property tax, and therefore lose nothing whatever. In this light, it is difficult to see how assessment at 100 percent of market value, and the resulting property taxes, could affect the financial position of a conservation authority in any manner whatever. One might even argue in a narrow sense that, from the point of view of the participating local governments, the higher the property tax imposition on a conservation authority, the greater the influx of provincial funds to the authority and, therefore, the lower the true net demand upon the participating local governments. We can only conclude that the imposition of assessment at 100 percent of market value will have no impact, favourable or unfavourable, upon the conservation authorities. We would note that real property owned by a conservation authority may, in its own right,

include residential property as defined under Proposal 2, and farmland as discussed and defined later under Proposal 4. We therefore recommend:

III.2:R8 That all real property owned by a conservation authority be assessed at and taxed on 100 percent of market value except where such property is residential property as defined, in which case the taxable assessment is to be 50 percent of market value at inception, and except that where such property is farmland or a managed forest, it be treated in accordance with our Recommendations as outlined under Proposal 4.

One might conclude as many have (including conservation authorities), that if the imposition of a property tax on publicly held real property such as that of a conservation authority, results in no more than the shifting around of tax dollars, then the imposition of the tax on such property is no more than an exercise in futility. We reject this notion on the basis of reasons developed under Proposal 6.

Cottages

Many submissions were received from cottage owners and their associations. Considerable alarm was expressed as to the effect of market value assessment. We found the alarm to be based on a lack of understanding of the Proposals, or a lack of understanding of the nature of the property tax, and sometimes on a lack of understanding of the position of all other taxpayers.

The suggestions presented to us were based, by and large, upon these observations:

- A cottage, in almost all instances, is in use for only part of the year. In many cases, municipal bylaws seek to prevent use during the winter months.
- A cottage owner, who has his year-round residence elsewhere, should not pay the full taxes applicable as though he were a full-time resident, since he does not have use of local services in his absence.
- A cottage owner, who educates his children in his home town, should not have to contribute to a local school board whose facilities he does not use.
- A cottage owner, who pays his full municipal and education taxes in his home town, should not also have to pay such taxes elsewhere, since this amounts to double taxation.
- The very location of a cottage, such as an island or a remote beach, makes it clearly impossible for a cottage owner to benefit from municipal services, or indeed, for the municipality to extend such services.

A variety of suggestions to remedy what is seen as unfairness was

offered. It was felt that if year-round residences were to be taxed on 50 percent of their market value, then cottages should be taxed on 25 percent of their market value. Others considered that a special property tax credit against a cottage owner's income tax would be appropriate. Still others pleaded for a removal of the education levy.

Before responding to these suggestions, we would refer to reasoning and conclusions expressed in Chapter I and under Proposal 1. We do not accept the proposition that lack of use of services which are essential to the very nature of a local community, should lead to a relief in the property tax burden. The property tax, in contrast to a sales tax, must not be considered as a price applicable to the sale of a service to any one individual. The function of a property tax is but one: to spread the cost of community services over all of the real property in that community on the basis of a value standard that is common to all and therefore fair to all.

We do not accept that part-time residency, even when enforced by municipal by-laws, has a bearing on this conclusion. A cottage and the land on which it sits is a permanent, full-time investment. It is tenuous to argue that a permanent full-time investment should carry with it but a part-time cost. More fundamentally, it is difficult to see why cottage owners should, in effect, be subsidized by way of favoured treatment at the cost of those who are not in the happy position to boast of the possession of a cottage, or indeed of the possession of any real property.

What is perhaps more salient is whether cottages and an amount of land reasonable to their use, should be treated as other residential property which is designed to serve as permanent shelter in all weather conditions. It could well be argued that this should not be the case, and that cottages should therefore attract a taxable assessment at 100 percent of market value, as would other, undeveloped recreational property owned for private purposes. We are persuaded however that a cottage is sufficiently permanent in character so as to fall within the ambit of the definition of residential property. We note for example that many cottage owners look to this property for future retirement and permanent residency. We also note that mobile homes would qualify as residential property, and we therefore reject arguments which would seek to apply less favourable treatment to cottages.

Student Residences

A number of submissions objected to the proposed application of market value assessment to student residences as residential property. We could find no argument of substance which might persuade us to consider an alternative approach, and for this reason, and for all reasons to the contrary outlined elsewhere, we believe that taxable assessment at 50 percent of market value should apply, as it does to all other residential property as defined.

Homes for the Aged and Nursing Homes

Our conclusion here is the same as in the case of student residences. We would note, however, that such facilities are essentially multi-use in character, in that, while a major portion of such a home is used for residential purposes, other parts are used for administrative functions. We therefore recommend:

- III.2:R9 That such part of a home for the aged or a nursing home as is used for residential purposes together with a reasonable amount of land, carry a taxable assessment at 50 percent of its market value, while such part as is used for administrative purposes, carry a taxable assessment at 100 percent of its market value.**

Additional implications are discussed under Proposal 5.

Summary of Recommendations

III.2:R1 That the practical consideration of what constitutes a reasonable amount of land to be included in the residential class in each instance be judged on the individual circumstances.

III.2:R2 That existing legislation, empowering municipalities to enter into fixed assessment agreements with golf courses be rescinded and be replaced with legislation which will permit the owner of such recreational property as described, to apply to the local municipal council for a deferment of up to 50 percent of the total property tax (other than local improvement charges) applicable to the relevant land only; and that the deferred taxes be accumulated on the books of the municipality, together with simple interest thereon at the weighted average annual bank prime lending rate, to be recoverable upon the sale of that land for purposes other than its current use or upon its conversion to other uses.

III.2:R3 That Section 38(2) of The Assessment Act be rescinded and that railway rights-of-way be assessed at a market value related to the characteristics of such property.

III.2:R4 That all real property owned by a railway, including railway buildings and other similar structures, but not including bridges, be assessed at and taxed on 100 percent of its market value.

III.2:R5 That property owned by lodges and associations such as described, be assessed at and taxed on 100 percent of its market value.

III.2:R6 That permissive legislation, which allows for favoured tax treatment of property owned by the Navy League, and the Canadian Legion, and other veterans' associations be withdrawn, and that such property be assessed at and taxed on 100 percent of market value.

III.2:R7 That rates applied per foot of length of pipeline be reviewed and revised each two years, coinciding with the return of assessment rolls, so that these rates may reflect the relative change in the market value of other real property.

III.2:R8 That all real property owned by a conservation authority be assessed at and taxed on 100 percent of market value except where such property is residential property as defined, in which case the taxable assessment is to be 50 percent of market value at inception, and except that where such property is farmland or a managed forest, it be treated in accordance with our Recommendations as outlined under Proposal 4.

III.2:R9 That such part of a home for the aged or a nursing home as is used for residential purposes together with a reasonable amount of land, carry a taxable assessment at 50 percent of its market value, while such part as is used for administrative purposes, carry a taxable assessment at 100 percent of its market value.

3. Mill Rates

The present practice of levying different mill rates on residential and commercial properties will be discontinued.

We commented on the essence of this Proposal in the Overview for Reform. Since we recommend that residential real property carry a taxable assessment at 50 percent of market value, and all other real property carry a taxable assessment at 100 percent of market value, the need for split mill rates no longer exists. The resulting “uniform mill rate” will mean that there will be only one mill rate for education purposes applicable to the taxable assessment of all real property within a school board’s jurisdiction, and only one mill rate for municipal purposes applicable to the taxable assessment of all real property in a municipal service area, such as in sewer service or garbage collection areas.

We agree with the Government’s observation that this Proposal will result in significant administrative simplicity. However, we are less certain that it would offer greater tax policy flexibility as suggested in Budget Paper E. More importantly perhaps, we believe that since the assessment base for the first time will have uniformity when market value is introduced, the uniform mill rate within a taxing jurisdiction will provide a most effective focus on the level and growth of local spending, and will thus be of considerable assistance to local government in gaining public support in the difficult process of establishing priorities within prudent financial limits, and in a perspective which should now exceed two years. We would hope that this anticipated

effect would further bolster the cause for local autonomy and the responsibility it implies.

We fully concur with this Proposal, and we recommend:

III.3:R1 That the present practice of levying different mill rates on residential and commercial properties be discontinued.

Summary of Recommendations

III.3:R1 That the present practice of levying different mill rates on residential and commercial properties be discontinued.

4. Farms and Managed Forests

Farmland, farm buildings, managed forests and farm residences will be assessed at market value. Farmland, farm buildings and managed forests will be taxed at 100 percent of market value and the taxes will be paid by the Province. Farm residences will be taxed as all other residences at 50 percent of market value and the taxes will be paid by the owner. There will be provision to recover taxes paid by the Province if the property changes use.

In Budget Paper E, the Government proposed that where farmland, farm buildings and farm residences are now being assessed on the basis of their value to another farmer, in future all farm property would be assessed at market value. The Government further emphasized that a proposed recapture of 10 years' taxes in respect of the farmland (together with simple interest at 8 percent) would only apply in the event of a change in use of the land; changes in ownership would therefore not cause such a recapture.

The number of submissions received, both written and oral, far exceeded our expectations. Quite apart from the observations expressed during the course of our hearings, the Commissioners were impressed by a thread common to all; the visible pride of a farmer in his profession, and the love and sensitivity he feels with respect to his land and the crops he gleans from it. It was partly this characteristic which led the Commission to the conclusion stated earlier: that the property tax system must be structured so as to recognize the two basic essentials of life, namely food and shelter. It was also, no doubt, this characteristic that caused farmers to object vigorously to the Government's Proposal. The variety and detail of arguments and suggestions presented to the Commission originated in three broad areas:

(1) Nature of the Property Tax

It is evident that the farm community holds strong views on this subject. It is here that the concept of tax differentiation between "services to people" and "services to land" was most frequently and most vigorously voiced. Accordingly, it was concluded that the tax on farmland should not reflect costs related to education, health,

welfare and recreation, as these were seen as services to people. Farmers felt that their situation is not unlike that of producers engaged in manufacturing, and that in this sense, farmland is not unlike manufacturing machinery and equipment, which is exempt for property tax purposes. Thus, they concluded that farmland should also be exempt for property tax purposes.

(2) Market Value Assessment

Section 27(3) of The Assessment Act now provides that the value of farmlands, including the buildings and residences of the owner and his employees and their families, shall be determined on the basis of a value for farming purposes only. With the advent of market value, it was thought that this should be understood to mean "productivity value" for farmland and that this should be the valuation approach to be used for purposes of assessing farmland regardless of their location. It was seen as a desirable standard as it is common to all farms and therefore allows for fairness in property taxation as between farms, regardless of the location of the farm. It was pointed out that productivity value isolates farm operations in the vicinity of rapidly expanding urban areas from consequences which otherwise would accompany rapidly increasing land values. It was felt that productivity value, being a measure of income generating capacity, is fairer in that it responds to a measure of ability to pay the tax. Besides, it was considered appropriate that farmland should be treated distinctly from all other land in that it was believed to be different from all other land. On the other hand, market value assessment was seen as having none of these desirable features. Market value, it was stated, would not result in an equitable share of the tax burden, and it would have the effect of taxing agricultural land as though its use had changed.

(3) Application of Proposal 4

The suggestion that the Government pay the taxes in respect of farmland was seen as *prima facie* evidence that the tax resulting from market value assessment would be well beyond the financial capacity of the farmer himself and although the farmer understood that he could simply refuse to apply to the Government for payment, in this light this was not seen as a real choice. Besides, market value of the land would obviously exceed that of the residence, and it was suggested that this relationship should be reversed. The proposal that the Government pay the tax on the land was likened to an offer of help to pay a bill, which in all equity should not have been charged in the first place. There was a fear that a greater influx of provincial funds would undermine the prevailing local attitude of financial responsibility. Furthermore, the very character of such a provincial payment was repugnant to many farmers: a gift or a subsidy was seen as quite distinct from a "rebate", and this distinction would make the farmer appear to be a second-class citizen. Besides, if the Government paid the taxes, nothing would prevent other citizens

from trespassing on a farmer's property at will. Furthermore what would happen if some future Government declined to pay the taxes? And would there not be effectively a loss of voice in local affairs if someone else paid farm taxes? Although most farmers felt it to be reasonable that their residence should be taxed on the same basis as a residence of any other citizen, they wondered how this could be accomplished effectively. The proposed recapture of 10 years land tax upon change of use of the land seemed to be of special concern. It was seen as a lien against the farmers' land, and despite the Government's explanation to the contrary, it was believed that it would fall due upon the sale of the land. It was feared that the perceived lien would interfere with financing required from time to time, and that after 10 years, the Government could own up to 20 percent of a farm.

The above compendium of views and objections does not pretend to be all-comprehensive, but we believe it to be sufficiently representative to impart a fair impression of their underlying thoughts. Beyond this, it was stated repeatedly that the farmer sought only to pay his fair share, and by and large, the existing property tax treatment of a farmer and his farm was thought to accomplish this.

Let us emphasize the following at the outset. We understand that no more than approximately 25 percent of farmers in the Province pay income tax. This appears to be a consequence of low income in a sector where the prime influence on farm prices extends well beyond the borders of the Province and indeed, of Canada. The following should therefore be seen first and foremost as an illustration that the situation which exists today is a source of inequity as between farmers as well as between farmers and other taxpayers.

The actual operation of the current system, involving both property tax and income tax features combines to cause some unfair advantages in these relationships. For example, a farmer in most cases deducts the total of his property tax bill from income for income tax purposes. He then may use the same total property tax bill to qualify for a rebate of 50 percent of that tax bill under the Farm Tax Reduction Program. This rebate is not required to be included in income. He then may use the same total property tax bill to qualify for a property tax credit under the Ontario Tax Credit System.

While these mechanisms are by no means contrary to the existing legislative provisions, in our estimation they do place the farmer in a favourable position vis à vis other taxpayers and they tend to result in inequities between farmers.

To illustrate this interaction of income tax, property tax and property tax credit more clearly, we offer the following hypothetical example as shown in Table 5.

It should be stressed that this is an hypothetical example only and that it is presented here in this manner in order to display all of the

Example of Taxation of a Farmer
(Dollars)

Table 5

Assume a farmer has a taxable income of \$10,000. He is then liable to a marginal income tax rate of 33 percent.

Gross property tax paid on farm property	1,000
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Deduct:

—rebate received under the Ontario Farm Tax Reduction Program	500
—reduction of income tax	330
—income tax credit by way of the Ontario Property Tax Credit on occupancy cost	80

Total deductions	<hr/> 910
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Net, after tax, out-of-pocket cost to farmer	<hr/> 90
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factors which bear on a farmer's property tax. Nevertheless, a number of relevant observations may be made:

- While it is obviously beyond our terms of reference to deal with anomalies in the taxation of personal income, we cannot help but note in the context of our task that to our knowledge, no other taxpayer in this Province may legally receive an income tax reduction related to a \$1,000 expense, when that expense was in fact no more than \$500. The fault would appear to lie in an inadequacy in the Income Tax Act (Canada) on the one hand, and in the design of the Ontario Farm Tax Reduction Program on the other hand, in that the Program failed to take account of this inadequacy.
- No other taxpayer in this Province may legally claim his occupancy cost for property tax credit purposes to be \$1,000 when in fact it is only \$500.
- No other residential taxpayer in this province has the opportunity to claim as his occupancy cost for property tax credit purposes, any tax on real property other than that on his residence.

It is true of course that legally, farmers may only claim for the purpose of the property tax credit that part of the tax which is in respect of their residence. Not all farmers are as conscientious as most, and those who are not, do not only get an unfair advantage when compared to other residential taxpayers, but perhaps more starkly, when compared to their own colleagues.

It is perhaps not surprising that some (by no means all) farmers expressed satisfaction with the present system.

As was stated in Chapter I and elsewhere in this Report, the Commission firmly believes that the property tax system should be designed

in such a manner as to be capable of recognizing that there are two factors essential to the very existence of life: food and shelter. In no other area of our examination did these come together as they did here. Furthermore, the application of our framework of principles, together with the requirements that our Recommendations may lend themselves to practical implementation, took on special importance when dealing with the property tax as it applies to farms.

Much of the basic thought which led to the development of our views has been expressed in Chapter I in the process of the development of the framework of principles, and in the explanation of our view of the nature of the property tax; only brief reference should suffice here.

It should be quite clear by now that we firmly believe that market value must be the base upon which taxable assessment values rest, and that this should apply to all real property as defined and stipulated, regardless of its use or of the nature of its location or of its ownership. There are many reasons why this should be so. For example, it is quite true that farm assessment based on productivity allows for equity in the treatment as between farms, but only assessment based on market value allows for equity in treatment as between farms and other real property.

One could argue that since a common standard of assessment is of importance to the correct treatment of real property for tax purposes for all of the reasons cited, then the standard should be a productivity value in respect of all real property. We are satisfied that while this may have possibilities of practical application to much real property other than farms, it could by no means be applied to all real property. We observe here once more that the property tax itself should not be viewed in isolation, but rather as one factor of a much broader fiscal system which also provides for a tax on consumption and a tax on income. The function of the property tax is not that of the income tax and we believe it to be in error that the property tax should be structured on personal income criteria such as represented by productivity valuation.¹ We also disagree with the proposition that farmland, in the nature of its use, may be likened to machinery and equipment in a manufacturing process. We consider this view to be incorrect, because it addresses a property owner's activity rather than the real property itself. (We would also note that land has the happy faculty of holding its value, or even increasing its value. Machinery and equipment loses value; an incidental distinction of some considerable importance.) We also reject for reasons recited in Chapter I, that there should be a recognition in the property tax system of a difference based upon services to land as opposed to services to people.

¹Note our observations under Proposal 15 in respect of the need for shelter in the face of lack of income.

Income criteria as they relate to market value are discussed in detail in Chapter II. We would also refer to the discussion on recreational land and more specifically on golf courses under Proposal 2.

The mechanics of the Government's Proposal generated most of the detailed concern and indeed, fear. There is little doubt that in certain circumstances the property tax on a parcel of farmland will be considerable. This will be especially so for farms close to urban areas, where market values are particularly high and farmland would attract a much greater proportion of taxation than was the case before. It is by no means true in rural areas which are not exposed to this pressure: one could easily visualize a rural community, consisting primarily of farms as the support for local expenditures and where the tax distribution would not change measurably. This is so because of the nature of market valuation; in such circumstances it would tend to coincide with productivity value as land would sell in a farmer-to-farmer market, which in turn is based on farm economics. It is therefore closer to urban areas that the Government's Proposal to pay the property tax on the land takes on particular importance. It is here that the pressures of growth tend to escalate the level of demand upon the local financing structure. It is here that the broadest base for that structure is most required and it is here where inequities would rapidly become more intolerable. At the same time, we believe it to be of fundamental importance that such pressures do not interfere with the farmer's continuing desire to grow food, consistent with the rights of ownership which belong with him in a free society; he should not have to sell his property if he wants to farm, and nothing should interfere with his right to sell if that is his choice. This is not only important to the farmer, but even more important to the very society he feeds. As it is that society which creates the pressures faced by the farmer and by his community, it falls upon that society to provide relief from these pressures. It seems clear to us that any conclusion to the contrary cannot be maintained; and in this context, the Government's Proposal appears consistent with these views.

On a somewhat different level, it is rarely recognized that this is precisely what is happening today. As pointed out elsewhere, the Province of Ontario disburses grants to municipalities and school boards which are now estimated to exceed some \$3 billion per year. The bulk of these monies is distributed on the basis of relative assessment wealth as between municipalities and as between school boards. We are aware of school boards in rural areas, where as much as 90 percent of the local education costs are financed by provincial grants; which in turn, come from the Province's general revenue as derived from all sources, including sales and income taxes. No farm brief suggested that this influx of provincial largesse interfered with local autonomy. The Government's Proposal to pay the property tax on the farmland should be seen as operating, not to provide local funds in addition to existing grants, but rather to provide funds in replacement of existing grants. This would seem to be of particular importance to the farm sector. If the Province of Ontario, by virtue of its own legislation, must make payments as though they were property taxes, cal-

culated on the basis of a mill rate struck locally as applied to local real property assessment values, then it would seem that the certainty underlying the financial structure of that community has increased considerably, while, if anything, local autonomy has increased to boot. It would seem that the levying of a tax is significantly different from the hope of a grant. To wonder what might happen if some subsequent government would refuse to pay the tax is far less realistic than to wonder what might happen if some future government would refuse to pay a grant.

We would therefore conclude that the essence of this aspect of the Government's Proposal is to provide a better mechanism for the delivery of grants where these are most needed, in a manner which is more visible and therefore more likely to create awareness in the minds of the local citizens who determine the amount of the grant because they determine the mill rate. In addition, the greater certainty is a distinct improvement from a local point of view, and we concur that the best way in which all may provide relief of the pressures on farmland as created by all, is from financial sources to which all contribute: the general revenue of the Province.

Many farmers expressed a fear that as a result of the Government's Proposals, the incidence of trespassing from which they now suffer, would worsen. This was reinforced by a representative of a snowmobile group, who stated that his members should now have the right to drive across a farmer's land. The Commission reacted with much irritation to that suggestion. We do not believe that the fears expressed are justified in this context. There appears to have taken place over the years a gradual lessening in respect for private property. We would strongly agree that nothing in this Report should imply any infringement whatsoever on the rights of a property owner. We do not believe however that property tax measures will have any influence on this type of social attitude.

At the same time, we recognize that the farmer simply does not wish to have all of the property tax on his land paid by the Government. We therefore considered a wide variety of alternatives. For example, the Commission explored the possibility of having the farmer pay a percent of the taxes on his land and farm buildings, while the Government would pay the remaining portion. The farmer would then receive a rebate of a part of the taxes he paid, as he does now.

On balance, we felt this to be undesirable in that it would continue the existing anomalies inherent in the rebate approach today. On the other hand, this would be an improvement in equity when compared to other property taxpayers because it would at least isolate the residential portion of the tax from these anomalies. We were persuaded however by the observation made to us by a farmer:

"There is no good horse sense in sending a cheque so that you can receive another cheque. Why not simply send one cheque for the net amount?"

This suggestion, graceful in its simplicity and common sense, struck us as important.

We also considered at some length a tentative quantification of the escalation in the value of farmland as a result of urban and other pressures. We then had reference to conclusions in respect of our identification of occupancy cost in the case of a tenant of residential rental property as used for the purpose of Proposal 15. At the hand of these factors, and also of the need for simplicity, we concluded we should recommend¹ as follows:

III.4:R1 That farmland, together with farm buildings be assessed at 100 percent of market value, and that the farmer pay 10 percent of the resulting property tax, while the remaining 90 percent be paid by the Province.

We believe that the farmer's fear of the recapture provision was misplaced. It seems entirely consistent to us that if society contributes in order to make it possible that land may be farmed, then society should receive some rebate of this contribution if its purpose stands frustrated. On balance however, it appears not proper to have this consideration apply by way of a recapture. Rather, it seems that it should operate as a surcharge bearing upon those who would change the use of the land from farming to some other purpose. We do note however, that the present rebate system has recapture provisions very similar to those proposed here. It is our understanding that these have been capable of only haphazard enforcement as they rest upon regulation rather than directly upon legislation. Accordingly, we recommend:

III.4:R2 That legislation be enacted to provide for a surcharge payable by the owner of farmland who converts its use to purposes other than farming, and that the surcharge be calculated as the property taxes paid by the Province during the 10 years preceding such change in use, together with simple interest thereon at the weighted average annual bank prime lending rate.

It will be noted that this Recommendation speaks of a "conversion of use", which should be an observable fact, necessary to the operation of this Recommendation. It follows that a mere change in zoning would therefore not result in the imposition of the surcharge.

Many farmers felt that the current Farm Tax Reduction Program has been abused by those who did not qualify as bona-fide farmers. They looked to a definition of a bona-fide farmer to eliminate such abuse. We are satisfied that such a definition, if it could be devised at all, would work at cross-purposes in that it would eliminate those farmers who need a full-time job in a mine or a factory in order to support a family on a farm which cannot yield a subsistence. Similar observations

¹Note that Smith (Smith, op. cit., p. 113) and White (White, op. cit., p. 41) differed. Smith's recommendations more closely resembled ours. We of course do not concur with White's conclusions.

may be made with respect to young people who seek to commence farming and need outside employment for sometimes a considerable length of time, until they become established. Yet these farmers are the very ones who are most in need of support. In this light, it is not far-fetched to consider that a misdirected definition could result in farmland returning to its natural ecological state. After some years, the effort required to reverse this process would become wholly prohibitive when compared to the potential yield. This could well have long-term implications to the Province as a whole and the capacity to provide additional increments of farm products when they are most required at a future time. As a result, and consistent with reasoning expressed elsewhere, we conclude that a definition of a farmer is entirely irrelevant. The status of the owner should have no bearing on the treatment of the property for property tax purposes, which instead should be governed by the status of the property itself. More succinctly, in this context it is not important who benefits from the application of this farm provision. It is what one does rather than what one is that is of importance to the rest of society.

The definition needed therefore is that of a farm. Upon reviewing the existing Farm Tax Reduction Program, we note that the relevant qualification requires that the land be used as part of a farm operation that produces farm products valued at not less than \$2,000 in a normal productive year. The thrust of this definition seems useful. We considered whether the value limit of \$2,000 should be revised upward, but rejected this as it could prevent the effective application in areas of the Province where land has a lower per-acre yield capacity; and it is there where no doubt should exist as to the application of our Recommendations. Accordingly, we recommend:

III.4:R3 That for purposes of the Recommendations in respect of farmland and the farm buildings thereon, assessable farm real property be defined as such land and buildings as are being used as part of a farm operation that produces farm products valued at not less than \$2,000 in a normal productive year.

We would consider that a farm operation would be such as has the characteristics commonly understood in the public mind, for example the growing and harvesting of natural things in the nature of food, fibre and fur-bearing animals, or as manifested by efforts at husbandry and breeding to improve stock of whatever description. The person who finally determines whether a farm is in fact a farm, should be the local assessor.

We believe that this should encompass tree farms, nurseries, fish hatcheries and other operations of a similar property-intensive nature. We concur with the Government's view that the Recommendations in respect of farms should also apply to managed forests. Accordingly, we recommend:

III.4:R4 That the Recommendations made in respect of farmland and farm buildings be made to apply to managed forests,

and that a managed forest be defined employing the criteria now in use for purposes of the Managed Forest Tax Reduction Program.

It was pointed out to us that the concept of "a change of use" could have a seriously adverse effect if it were to embrace a lack of use. While we are not prepared to accept entirely that a lack of use should not constitute a change of use, we are persuaded that in some instances a farm widow, or a farmer who retires, may wish to live on in his or her habitual environment, and yet may not be able to conduct a farm operation, nor have it conducted by someone else. With respect to these circumstances only we recommend:

III.4:R5 That where farmland ceases to be farmed in the event of the death of a farmer or spouse and the survivor continues to reside on the property, the lack of use of the farm as a farm shall not constitute a change of use. Similarly, where a farmer retires from farming due to age or infirmity but continues to reside on the farm, lack of use shall not constitute change of use.

Concern was expressed on the approach an assessor would take in valuing, at market value, a farm residence together with a reasonable amount of land. We believe an assessor can base a valuation only upon fact, and not upon anticipation of an event which may or may not take place. Accordingly, where the farm residence is situated on a severed lot, the assessor must value the lot and the residence recognizing the fact that it is capable of being sold as a house on a severed residential lot. This of course would not apply to a farm residence which sits on land that remains part of the farm itself. In those circumstances he would need to determine the amount of land that is reasonably applicable to that residence. He then would apply to it a pro-rata portion of the value he attaches to the whole of the farmland. To this he would add his valuation of the residence itself, taking account of any positive or negative factors inherent in the residence and such amenities of a real property nature as may exist. A "reasonable" amount of land (of which there was discussion under Proposal 2) should be construed to be that amount of land which is reasonably required for use with the residence in a farm setting, including such features as driveways, lawns, etc. where applicable. Under no circumstances should the sum of the market values of the residence together with a reasonable amount of land, plus the farmland and buildings exceed the market value of the farm as a whole. Accordingly, we recommend:

III.4:R6 That a farm residence, together with a reasonable amount of land, be taxed on 50 percent of market value, and that the tax be paid by the owner.

It should be clear that this Recommendation may well apply to more than one residence on a farm. The Assessment Act in Section 27(3) now incorporates this and we believe that this continues to be appropriate.

It is anticipated that income tax treatment will fall in line with all of the preceding Recommendations. A farmer should continue to be able to deduct from his income the taxes he will pay directly in respect of his land and farm buildings, as this is an expenditure laid out in the process of earning income. This should not apply in respect of the taxes he pays on his residence, as indeed it does not for any other residential owner-occupant, although a partial deduction may be possible where he uses a part of his residence as an office for farm administration purposes. This is also consistent with the treatment of other taxpayers who work out of their home. The farmer should also continue to qualify for the Ontario Property Tax Credit but only in respect of the tax on his residence, as is the case with all other taxpayers. It would seem that all of this responds to a plea frequently expressed to us by farmers: that they wish to be treated fairly, and comparably to other property taxpayers.

We would note that recent abuse of the Farm Tax Reduction Program will be substantially overcome. Currently, some owners of small parcels of land, with oftentimes costly dwellings, contrive gross receipts of \$2,000 from farm production in order to enable them to receive a rebate of 50 percent of the property tax paid on their entire property. The effect of our preceding Recommendations should substantially eliminate such abuse.

Some farmers were of the opinion that they would wish to continue to pay all of the taxes in respect of their farm. We are firmly convinced that the effect of our Recommendations is that the farmer fully contributes all he owes. Nevertheless, we believe he should have the choice to pay more than he is required to do. We therefore recommend:

III.4:R7 That the municipality, upon application by the farmer, submit to him for payment the billing for property taxes in respect of 90 percent of the farmland and the farm buildings thereon, and which in the absence of such an application would have been submitted to the Province for payment.

Consistent with his rights as a property owner, a farmer should continue to be able to designate for school purposes all of the assessment of all of his property.

Furthermore, all farm assessment should be included for school board representation purposes. A review of data indicates there will be some changes in representation in certain areas as a result. The Government may wish to examine the appropriateness of the re-distributive effect on school board representation.

Summary of Recommendations

III.4:R1 That farmland, together with farm buildings be assessed at 100 percent of market value, and that the farmer pay 10 percent of the resulting property tax, while the remaining 90 percent be paid by the Province.

- III.4:R2** That legislation be enacted to provide for a surcharge payable by the owner of farmland who converts its use to purposes other than farming, and that the surcharge be calculated as the property taxes paid by the Province during the 10 years preceding such change in use, together with simple interest thereon at the weighted average annual bank prime lending rate.
- III.4:R3** That for purposes of the Recommendations in respect of farmland and the farm buildings thereon, assessable farm real property be defined as such land and buildings as are being used as part of a farm operation that produces farm products valued at not less than \$2,000 in a normal productive year.
- III.4:R4** That the Recommendations made in respect of farmland and farm buildings be made to apply to managed forests, and that a managed forest be defined employing the criteria now in use for purposes of the Managed Forest Tax Reduction Program.
- III.4:R5** That where farmland ceases to be farmed in the event of the death of a farmer or spouse and the survivor continues to reside on the property, the lack of use of the farm as a farm shall not constitute a change of use. Similarly, where a farmer retires from farming due to age or infirmity but continues to reside on the farm, lack of use shall not constitute change of use.
- III.4:R6** That a farm residence, together with a reasonable amount of land, be taxed on 50 percent of market value, and that the tax be paid by the owner.
- III.4:R7** That the municipality, upon application by the farmer, submit to him for payment the billing for property taxes in respect of 90 percent of the farmland and the farm buildings thereon, and which in the absence of such an application would have been submitted to the Province for payment.

5. Business Assessment

All real property used for the purpose of a business including government administrative facilities will be subject to an additional assessment at 50 percent of market value for business taxes.

Section 7 of The Assessment Act now provides that the use of land for the purpose of any business is to carry a “business assessment” to be computed by reference to the assessed value of the land. To this value is applied a rate which varies with the nature of the business activity carried on. Examples of applicable rates were summarized in Budget Paper E and are repeated in Table 6.

The Government’s Budget Paper E suggests further that the single business assessment rate of 50 percent replace the current rate schedule,

Type of Business	Business Assessment Rate
Car Parks	25%
Retail Stores	30
Professional & Retail Chains	50
Industries	60
Financial	75
Wholesale	75
Distilleries	140

and that the resulting business tax continue to be a tax on the occupant rather than on the owner of the property. It is further proposed that the business tax henceforth be applied to government administrative facilities, but that those properties now excluded from business assessment continue to be excluded. Examples of the latter are farms, rental residences, railway rights-of-way and pipelines.

As a result of the submissions received and of comments made during our public meetings throughout the Province, we felt that we needed to respond to a number of questions. These responses would also be helpful in the analysis leading to our Recommendations. These questions are:

- (1) What, for the purpose of this Proposal, is a business?
 - (2) Should there be a business tax?
 - (3) If the answer to the above is in the affirmative, then what are the criteria by which a business tax should be applied?
 - (4) Should a business tax, if applicable, be a levy on the occupant rather than on the owner of the property?
 - (5) How should a business tax, if applicable, be quantified and should there continue to be a variation in that quantification, depending upon the nature of the business in question?
- (1) What, for the purpose of this Proposal, is a business?

Let us commence by observing that the response to this question has escaped, in all instances, the best legal minds extant. We do not propose a legal definition; rather we intend to describe what we consider to be a reasonable understanding in service of our aim.

The very word “business” connotes an activity (busy-ness), and the absence of an activity should therefore lead one to conclude that for the purposes of this discussion, there is no business being conducted. Furthermore, it seems self-evident that the activity, like any other activity, must be in pursuit of a particular aim. We accept that business activity is conducted to only one ultimate aim, and that is the hope of profit. We further believe that the word “profit” should be understood in a somewhat broader sense than is popularly the case. Profit in the sense

of gain may not only be achieved upon the sale of a good or service at a price greater than its cost, it may also be achieved when the aim is the hope of a reduction of a cost, or of the acquisition of an advantage or a pleasure which otherwise might be dearer or less attractive.

It then follows that activity conducted in the absence of a hope of profit, is not a business; nor does the mere existence of a profit in the absence of activity constitute a business. We believe that both elements must be present.

(2) Should there be a business tax?

In our analysis of Proposal 1, we showed a summary breakdown of the principal contributors to all property taxes levied in the Province of Ontario in 1975. For ease of reference, we repeat that presentation in Table 7.

1975 Property Taxes
(Millions of Dollars)

Table 7

		%
Residential	1,295	53
Commercial and Industrial	608	25
Business	276	11
Sub-total	2,179	89
All others	254	11
Total	2,433	100

It is clear from Table 7 that the business tax alone contributes more to the total revenue of property-related taxes (\$276 million) than is contributed by all other sources (\$254 million) with the exception of residential, industrial and commercial property. The revenue is obviously of considerable importance to local government. If one were to consider alternative means of financing such a sum to the benefit of local government, then there appear to be only two: the grant system or the property tax.

If the lost business tax revenue were to be replaced by grants, then the available means of distributing such grants—the relative assessment wealth as between municipalities and school boards—would operate to the disadvantage of those who now have a greater amount of industrial and commercial assessment as opposed to residential assessment when compared to those where the relationship between these property classes is less favourable. This obviously would be viewed with alarm by the first and with favour by the latter. We do not see how propriety can be determined. The matter is of great importance to school boards however, in that an individual businessman may designate his business assessment for education tax purposes. This feature would be lost in a grant system. Furthermore, a grant system is in turn supported by the

general revenue of the Province, the principal sources of which are shown in Table 8.

Principal Provincial General Revenue Sources
(Millions of Dollars)

Table 8

	1976 ¹	Percent of all Revenue
Personal Income Tax	1,571	17
Retail Sales Tax	1,328	15
Corporation Taxes	1,140	12
Total of these sources	<u>4,039</u>	<u>44</u>

¹Year ended March 31.

The personal income tax and the retail sales tax relate to individual income earners and to individual consumers. If the business tax were to be financed from these sources, it is obvious that the tax now would no longer be borne by business, which in contrast to individuals, may deduct the business tax for income tax purposes. Not only would the incidence shift to an entirely different class of taxpayers, but the relative burden on that class would be greater. This is not supportable.

At first glance, the corporation tax would appear to be a possible solution. However, the business tax is not only payable by corporations, but also by unincorporated business. It is unacceptable that a possible alternative to a business tax should discriminate between businesses, solely because of the form in which they are organized. In addition, the corporation income tax rate would need to increase by more than 20 percent to accommodate the same revenue, and the manner in which the income tax operates would make the burden even greater, since provincial income taxes are not deductible for federal tax purposes. For reasons explained elsewhere, there would be an incremental shift of resources to the Federal Government. It follows that the grant system is not a viable alternative for the existing business tax levy.

The second alternative suggested was that the business tax, as a source of local revenue, could instead be provided by way of additional demand upon the property tax itself. Given the framework of all of the preceding remarks in the Report, it is evident that this can only be accomplished by a proportionate increase in the mill rates over those which would otherwise prevail or by assessing industrial and commercial property at 150 percent of market value. If the mill rates were to be increased, almost half of the existing business tax would be shifted to residential property owners, where the burden would bear more heavily, as explained before. Furthermore, we would refer back to our remarks under Proposal 1, where the subject of the relationship between residential property and industrial and commercial property was discussed. For the reasons recited there, and those above, we reject increased mill

rates as a viable alternative to the business tax. Our reasons for rejecting assessment of industrial and commercial property at 150 percent of market value are explained in comments under question (4).

(3) What are the criteria by which a business tax should be applied?

The response to this question follows from the discussion under the previous questions. The business tax should apply to those who conduct a business: it looks to activity rather than ownership. The business tax, being a local tax, should have as its base real property assessment. While the business tax is applicable to those who carry on an activity with a view to profit, it should not be a profit-related tax any more than is the real property tax. Reasons for this were explained earlier in a different context. We conclude therefore that the business tax should be a levy upon those who carry on a business.

(4) Should the business tax be a levy on the occupant rather than on the owner of the property?

It is evident that a business activity carried on in real property is of necessity conducted by the occupant of that property. It is clear that in many cases, the owner and the occupant will be one and the same, in which event the business tax falls upon the owner as occupant. We conclude that occupancy is the criterion, not ownership.

Many municipal briefs addressed themselves to the administrative difficulties involved in the collection of the business tax and they faulted the absence of the possibility of placing a lien upon the real property involved.¹

In order to streamline the collection process, and thereby reduce administrative costs, they proposed that the business tax be incorporated with the property tax by means of assessing industrial and commercial property at 150 percent of market value. A lien would then operate automatically, and it was felt that a landlord would be in a better position to collect from his tenant than would be the municipality. We reject this solution for two principal reasons. There are many instances where a tenant departs quietly without the knowledge of the landlord. In many cases, rent remains unpaid and it seems hardly fair to subject a landlord in such circumstances to a burden which ought not to be his at all. More fundamentally, we accept that the business tax should not coincide with the ownership of real property, as explained earlier. We recognize however that the problems faced by a municipality are real.

¹Smith (Smith, op. cit., p. 284) recommended that the owner be made responsible for collection and remittance of taxes levied in respect of business assessment and be made liable for taxes he fails to collect and the property be subject to a lien. White (White, op. cit., p. 85) rejected this for reasons similar to ours. (The Assessment Act, Section 7(4), now specifies that the business tax shall not give rise to a lien.)

In the light of all of the foregoing, we recommend:

III.5:R1 That there continue to be a business assessment; and that the business tax be levied upon the occupant of real property who conducts therein an activity with a view to profit as defined; and that the business assessment be computed at a percentage of the market value of that real property.

We further recommend:

III.5:R2 That the Provincial Government explore the feasibility of amending existing statutes so as to grant preferred creditor status to municipalities in respect of a default in the payment of business taxes, but that the business tax not constitute a lien upon real property.

It is hoped that the latter Recommendation will relieve the municipal problems to an adequate extent.

Further development of the relationship of the concepts "occupancy" and "activity" is required in order to ensure that the Commission's Recommendations lend themselves to practical implementation. We believe the meaning of these words should be narrowly understood for purposes of the business tax, since otherwise distortions would result, particularly in respect of land-intensive businesses. For example, a farm is a business, but we do not conclude that a farmer occupies anything other than his residence. The business tax should therefore not apply to farmland. Some farm sector representatives suggested to us that a farm residence should really be seen as the headquarters of a business. If we shared this view, then a taxable assessment at 100 percent of market value would apply, as well as a related business tax. However, we are of the opinion that a farm house is principally a residence. Similarly, a gravel pit operator would occupy only that area of his land which embraces his mining and processing activities. Golf course occupancy is isolated to a clubhouse and such other similar facilities as may exist. A ski resort operation would have the business tax applied to a clubhouse, a lodge and administrative offices, but not to the land used for skiing. Similar observations may be made in respect of all land-intensive recreational property, as discussed under Proposal 2. And this conclusion also applies to land held by a business enterprise for future expansion. We therefore recommend:

III.5:R3 That the business assessment apply to that part of the real property that is actually occupied for the conduct of the business and a reasonable amount of land required for that purpose; and that the business assessment not apply to land in excess of this requirement.

Consistent with our views expressed under Proposal 2, we believe that a "reasonable" amount of land may be determined by the local assessor.

Having noted that the business tax should be a levy on the occupant, we concluded that it is no longer relevant to refer to the status of the real property in which the business is carried on. We note that this is in contrast with present practice, in that a business carried on in real property which itself is exempt from tax, may thereby be exempt from the business tax. In order to overcome this anomaly we recommend:

III.5:R4 That the business tax apply even though the business may be conducted in real property which is exempt from real property assessment or taxation.

We also believe that business which seeks a restricted clientele by virtue of specific membership, or by any other stipulation, is nevertheless a business for purposes of the application of the business tax. We thereby extend this tax to those who now are exempt for no logical reason, and even though the business activity itself is in many cases in direct competition with those who now must pay the tax. We therefore recommend:

III.5:R5 That no exemption from business tax apply by reason of service or sale to a clientele restricted by a stipulation of membership, or any other stipulation.

The business tax would therefore henceforth apply to such organizations as motor leagues, credit unions, real estate boards, and veterans' associations. On the other hand, it is clear that the business tax will not apply to residences of any description, as they lack the quality of a business. This also must apply to rental residences, since the occupant is not engaged in a business activity. Furthermore, the business tax should not apply to rights-of-way and pipelines. Hospitals and universities should be exempt. Doctors on occasion use hospital facilities in order to receive and examine patients from without the hospital. In such cases, a business tax should apply in respect of the area used for this purpose. We further believe that all parking lots should be subjected to the business tax, with the exception of those contiguous to property on which no business tax is computed, for example hospitals and apartment buildings. This is consistent with the treatment of parking lots operated as a business in their own right and which should continue to be subject to the business tax.

The foregoing is set out in some detail in order to illustrate how we believe the underlying Recommendations should operate.

We note the Government's Proposal that the business tax would henceforth apply to government administrative facilities. We do not agree with this. It would be difficult to argue, even within the definition provided earlier, that there exists an activity with a view to profit. We therefore conclude that an essential element is lacking, and we recommend:

III.5:R6 That the business tax not be applied with respect to government administrative facilities, but that it be applied to such organizations as have the character of a business.

For example, we would consider that the business tax should apply to the Liquor Control Board, the Province of Ontario Savings Office, government bookstores and other similar enterprises.

We now address ourselves to the last of the questions we posed earlier:

- (5) How should the business tax be quantified and should there continue to be a variation in that quantification, depending upon the nature of the business in question?

In the light of our earlier deliberations, the question of quantification has already been answered. Since the business tax is an important source of revenue to local government which cannot be fairly or logically met from other sources, the yield from the business tax with the application of market value should be approximately the same as is the case now, in the absence of an increase in local spending. It is apparent from the considerable volume of test data examined that this result would obtain under a single business assessment rate, set at 50 percent of market value, as is suggested in the Government's Proposal. The question which remains is whether there should be such a single business assessment rate.

We have speculated at some length as to why there now exists a variety of rates, and reason dictates that this may arise from but two possible considerations: the business tax was viewed as a tax which should somehow relate to an assumed ability-to-pay, arising out of the nature of the business; or in the alternative, the business tax was viewed as a penalty to be imposed because of the relative quality of the business in the eyes of society.

Given our reasoning elsewhere, it will be easily understood that we would reject ability-to-pay criteria. It should be clear that a difference in the ability-to-pay, if it were to exist, cannot be accepted because the business tax as a property-related tax must not apply in this manner and we would observe that a concession to the contrary here would be a conclusion to the contrary in almost every other aspect of our Report; and the Recommendations we have developed so far and those yet to follow would fall, as their foundation would disappear. In a more pragmatic sense, the fallacy of this approach is apparent in the examination of its application today. For example, a distillery attracts a business tax at the rate of 140 percent but a brewery would be subject to a rate of only 75 percent. Compared to a brewery, a dairy may also attract a rate of 75 percent: there appears to be little rhyme and no reason.

Even if ability-to-pay were to be an acceptable criterion for this purpose, then it follows that a business with a profit has that ability, whereas a business which suffers a loss has not. This in turn can only be recognized by the operation of an income tax as an alternative, and as developed in Chapter I, we emphatically reject the notion that apart from the federal and provincial governments, local government should

now embark upon this course. Since we can find no grounds to relate the business tax to any ability-to-pay, we do not accept this as a justification for a continued differentiation in business tax rates.

To our mind, the only other alternative was a differentiation based on the relative quality in business activity itself. Such a justification would require acceptance of a property-related tax as a proper instrument for the implementation of social policy as it may exist from time to time. That cannot be a function of the property tax which must respond to local criteria as it is the means of financing local expenditures. For example, while some would condemn the business activity of a distillery, it seems certain that those who reside in the Windsor area for example, would hold a somewhat different perspective in the light of substantial tax revenues contributed by just such a facility and the employment and trade it generates. It would seem that the earlier example would also be relevant here. One would favour milk as one would favour motherhood, but few would equate their inherent social qualities with those of beer. We would also harken back to our framework of principles, in which we postulated that a property tax should operate in a manner which disregards the status of the owner and the location of the property. By extension, and for the same reasons, we would conclude that a business tax should apply in a manner which disregards the status of an occupant and the nature of his business. We would note here as well that a conclusion to the contrary would seriously undermine the validity of earlier Recommendations, and that "social assessment" practices of the past should be rejected. We therefore conclude that a single business assessment rate should apply, and that this rate should be set at 50 percent. Accordingly, we recommend.¹

III.5:R7 That a single business assessment rate at 50 percent be applied to the market value of real property as described in our discussion under Proposal 5, and that Section 7 of The Assessment Act be revised accordingly.

Much concern was expressed that a single business assessment rate at 50 percent of market value would cause undue hardship for those who now benefit from the lower rates at 25 percent and 30 percent. We found that these concerns did not take full account of all factors.

It should be remembered that the business tax itself is directly related to the real property tax, in that both taxes are calculated upon the same assessment base. This base is now to be market value, which will apply to all real property. Since both the business tax and the real property tax in the aggregate are no more than the amount of local spending, spread evenly over a common value base, it follows that a change in the relative mix between classes of property will have a proportionate impact on the amount of tax to be levied upon each class and therefore upon each property in that class. It does not necessarily follow that this

¹Smith (Smith, op. cit., p. 119) supported a single business tax rate while White (White, op. cit., p. 48) rejected this. We concur with Smith for reasons outlined.

will operate to the disadvantage of parking lot operators or retail store proprietors; the converse may well be true as became apparent from our review of test data. In many instances, the real property tax was reduced by such a large amount, that the business tax itself followed suit as well, even though the business assessment rate increased markedly.

Furthermore, many submissions had clearly not reflected on the effect of the elimination of the present split mill rate, by which commercial and industrial property is taxed more heavily than residential property for both municipal and school board purposes. Both the real property tax and the business tax would therefore be influenced upon the implementation of our Recommendations by the following factors.¹

- the change in relationship between real property classes as a result of the updating of historical assessment values by the application of market value assessment. (As pointed out, this will correct long standing unfairness.)
- the introduction of new classes, such as government property, and the application of the new assessment standard to existing classes, such as farmland.
- the change to a uniform mill rate.
- the introduction of the concept of "a reasonable amount of land".
- the change in the definition of real property following from the Commission's Principle 2 which provides that henceforth machinery and equipment should be excluded from assessment. This will mean that such equipment as washing machines in a laundromat, which now are assessable, will no longer form part of the tax base and will therefore no longer attract tax. In many circumstances, the relief arising from this change will be substantial.

The observations made elsewhere in respect of the effect of market value assessment apply here as well. An increase in real property tax reflects excessively advantageous treatment over many years past, subsidized by those who accordingly paid too much over that same period. Few will argue that the balance should not be redressed.

This will be modified in all instances by the influence which the introduction of major new assessable property will have. One need point only to Ottawa and Kingston, with their significant concentration of heretofore exempt real property. There will also be a major impact in the more rural areas with the introduction of assessment at 100 percent of market value on farmland.

Upon review of test data we found, as would be expected, that in many cases the real property tax on retail stores was reduced, though the business tax increased, with the net effect being a decrease or neutrality in many instances.

¹We have disregarded the variable caused by an increase in local expenditures, as this is not related to this discussion: the assumption is that spending remains the same.

One should recall that while the real property tax bears upon the property owner, the business tax bears upon the occupant, and in those cases where the owner and the occupant are not the same person, this netting of real property tax and business tax may not obtain. Although in most cases, commercial lease agreements automatically pass a fluctuation in the real property tax to a tenant, this may not always be so. We would therefore refer back to a related Recommendation under Proposal 2, where we addressed a similar problem in respect of rental residences. Accordingly, we recommend:

III.5:R8 That, as in the case of rental residential property, legislation be enacted by which a landlord may pass to a tenant a real property tax increase resulting from property tax reform, and by which a tenant may claim from a landlord a real property tax decrease resulting from property tax reform; and that this operate regardless of existing contractual obligations; and that these rights be limited to the unexpired time period of an existing lease contract, or five years, whichever is the shorter.

Many submissions from seasonal businesses pointed out to us that in their view, they were now being treated unfairly in that they had to pay a year-round tax in respect of only a part-year business. Our remarks relating to cottages under Proposal 2 would be of relevance in many respects and should be referred to in this context. We agree that by definition a seasonal business operates for only part of a year, but we also consider that such a business is conducted in order to yield in that time the revenue to cover all of the year and while the activity may not extend to twelve months, the permanency of the investment and its attendant costs do. Accordingly, we cannot accept that a seasonal business because of its nature should be treated distinctly from a year-round business, any more than a seasonal residence should be treated distinctly from a year-round residence.

Notwithstanding the foregoing, it is clear that in some areas the related modifying influences will be of more modest proportions and that accordingly, increases will result which upon first examination seem to be considerable. This will be more fully discussed under Proposal 15.

Both the business tax and the real property tax paid by business are of importance to public and separate school boards, as will be discussed more fully under Proposal 10.

Summary of Recommendations

III.5:R1 That there continue to be a business assessment; and that the business tax be levied upon the occupant of real property who conducts therein an activity with a view to profit as defined; and that the business assessment be computed at a percentage of the market value of that real property.

- III.5:R2** That the Provincial Government explore the feasibility of amending existing statutes so as to grant preferred creditor status to municipalities in respect of a default in the payment of business taxes, but that the business tax not constitute a lien upon real property.
- III.5:R3** That the business assessment apply to that part of the real property that is actually occupied for the conduct of the business and a reasonable amount of land required for that purpose; and that the business assessment not apply to land in excess of this requirement.
- III.5:R4** That the business tax apply even though the business may be conducted in real property which is exempt from real property assessment or taxation.
- III.5:R5** That no exemption from business tax apply by reason of service or sale to a clientele restricted by a stipulation of membership, or any other stipulation.
- III.5:R6** That the business tax not be applied with respect to government administrative facilities, but that it be applied to such organizations as have the character of a business.
- III.5:R7** That a single business assessment rate at 50 percent be applied to the market value of real property as described in our discussion under Proposal 5, and that Section 7 of The Assessment Act be revised accordingly.
- III.5:R8** That, as in the case of rental residential property, legislation be enacted by which a landlord may pass to a tenant a real property tax increase resulting from property tax reform, and by which a tenant may claim from a landlord a real property tax decrease resulting from property tax reform; and that this operate regardless of existing contractual obligations; and that these rights be limited to the unexpired time period of an existing lease contract, or five years, whichever is the shorter.

6. Public Property

All public property except residences will be subject to payments in lieu of taxes equal to full taxes at 100 percent of market value. Public residences will be subject to payments in lieu of taxes equivalent to full taxes at 50 percent of market value. Public utilities will be subject to business assessment at 50 percent of market value.

Budget Paper E explains further that this Proposal would apply to all real property—local, provincial and federal—with the exception of unpatented lands, cemeteries and highways. Consistent with the discussion under Proposals 1 and 2, treatment as residential property

will be accorded to such properties as university residences, chronic hospitals and homes for the aged. These payments will replace existing related payments in lieu of taxes, while provincial grants based on assessment will be affected as well.

Budget Paper E goes on to explain (rather synoptically) that Proposal 6 means that municipalities will tax their own as well as school board property located within their boundaries while school boards will levy upon their own as well as municipal property within their jurisdiction. The type of property involved will be parks, city halls, schools, school board administrative facilities, etc. It is pointed out that since the property tax is levied for regional and for school board purposes in addition to municipal purposes, the effect of this Proposal will be a fairer distribution among local government units.

We found it remarkable that this Proposal, which to us appears to be so elegant in its simplicity as a solution to a difficult problem, should have been misunderstood by virtually all who appeared before the Commission and commented upon it.

The greatest opposition seemed to be centred in submissions from school boards and conservation authorities (see discussion under Proposal 2), but many municipal briefs objected as well.

The following remarks are typical:

- This Proposal is no more than a bookkeeping exercise.
- It is a cost accountant's nightmare.
- It merely shifts dollars from one pocket to another to no avail whatever.
- Local property should continue to be exempt and the Proposal should only apply to property of the provincial and federal governments.
- The Proposal is but a smokescreen behind which lurks an intention to further restructure local government.
- It will increase municipal taxes.
- If taxes on school property are not offset by grants or the tax yield from other government property, school taxes will increase.

We believe that such observations require close examination. A simplified example follows in an attempt to demonstrate that there is no effect upon the amount of taxes paid by the collective body of ratepayers. Table 9 represents an assumed situation of a municipality and a school board, whose boundaries coincide.

It will be seen from Table 9 that the total mill rate does not change. Where a local taxpayer has property with a taxable assessment of \$50,000 before, his total tax bill for both municipal and school board purposes would have been \$1,000 and since there is no change in the mill rate, the tax bill will remain constant after the tax levy on local government property. This may seem puzzling at the hand of Table 9 which

Example of the Taxation of Local Government Property

Table 9

Calculation of Present Mill Rates	Total	School Portion	Municipal Portion
Tax levy required	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Taxable assessment	\$100,000,000	\$100,000,000	\$100,000,000
Mill rates	20.0	10.0	10.0

Ignoring for this purpose the possible effect of grants, this existing situation is now changed by the introduction of the following elements: the school board owns property with \$2,000,000 taxable assessment and the municipality owns property with \$1,000,000 taxable assessment for a total of \$3,000,000.

Calculation of Revised Tax Levy	Total	School Portion	Municipal Portion
Original tax levy required	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Add taxes on own property at the estimated mill rate of 20.0:			
—on school board property:			
20 mills on \$2,000,000	40,000	40,000	
—municipal property:			
20 mills on \$1,000,000	20,000		20,000
Revised tax levy required	\$ 2,060,000	\$ 1,040,000	\$ 1,020,000

Calculation of Revised Mill Rates	Total	School Portion	Municipal Portion
Original taxable assessment	\$100,000,000	\$100,000,000	\$100,000,000
Add government property	3,000,000	3,000,000	3,000,000
Revised taxable assessment	\$103,000,000	\$103,000,000	\$103,000,000
Revised mill rates	20.0	10.1	9.9

shows an increase in the total tax levy required. This is because this table was drawn to demonstrate that the total mill rate remained constant. A revision in the presentation to show the dollar impact is shown in Table 10.

It is clear that while total tax levy requirements did not change individual tax levy requirements did. This change in individual tax levy requirements is of fundamental importance. For the first time, a municipal council and a school board will be faced with a framework for decision making identical to that of the ratepayer who supports them: the property tax as a consequence of the ownership of real property. In addition, a ratepayer will for the first time be in a position to know the true local cost to him of each of municipal services and education. Explanations provided to him by his elected representatives will take on additional meaning, and this should foster greater understanding.

Dollar Impact of the Taxation of Local Government Property

Table 10

	Total	School Portion	Municipal Portion
Original tax levy required	\$2,000,000	\$1,000,000	\$1,000,000
Effect on each levy resulting from:			
—school levy on municipal property	0	(10,000)	10,000
—municipal levy on school board property	0	20,000	(20,000)
Revised tax levy required	\$2,000,000	\$1,010,000	\$ 990,000

This is true of the example drawn, which rarely prevails in actual circumstances, because the boundaries of a municipality and a school board rarely coincide. The observations made remain valid however, no matter how complex the local government structure is with respect to a region, a county, a number of municipalities, a public school board and a separate school board. In such circumstances, this Proposal takes on additional importance. A municipality may have within its boundaries a considerable amount of property belonging to a school board whose jurisdiction extends over a much broader area and therefore provides education services to many who do not reside in that municipality.¹ The cost of the tax foregone in respect of school board property which enjoys the services provided by the municipality bears solely upon the municipal ratepayers and this is unfair. The Proposal will remedy this, as the municipal levy will be reduced by the amount of tax paid by the school board whose tax levy requirements will increase by a corresponding sum. The resulting increase in the education mill rate will then distribute the additional cost of the school board to all property ratepayers within its jurisdiction, both within and without the municipality. The redistributive effect will introduce a degree of fairness which has been lacking up to now.

Similar observations apply to provincial and federal government property. There is no reason that a few should bear the onus by way of the tax foregone, in respect of property that belongs to all. This was readily understood when it came to property belonging to senior levels of government and it is remarkable that understanding did not come forth with the same alacrity in respect of property owned by a local body. Some observed that if a school board's assessable wealth is increased by adding the value of that school board's own property, then that board's entitlement to grants would be correspondingly reduced when compared to other school boards. Consequently, the school tax levy of such a board would need to increase, thereby increasing the ratepayer's tax bill. This observation is only partially true. It should be clear that all

¹While it is true that residents of that municipality have access to school property after school hours for a variety of activities, a similar observation may also be made respecting the use of municipal property by non-residents in almost all hours.

property of all school boards would now be added to their respective assessable wealth. A change in wealth relationships and therefore in grant entitlements will result only to the extent that one school board has invested more in real property per pupil when compared to another. A corresponding reflection of past decisions in the effect on grants is, it would seem, very much appropriate.

We note that the Provincial Government must negotiate the application of this Proposal to property owned by the Federal Government, and it is hoped that the Federal Government will accede to the reasoning expressed here. We would note that if the Federal Government does not agree, the redistribution will be less perfect. Nevertheless, we believe that the Proposal remains valid even in these circumstances, in that the effect will still be a significant improvement over the current situation. We also conclude that the converse does not hold true. It would make no sense whatever to apply the Proposal to real property of a senior government and not to that of a local body, because the Proposal deals with a redistribution of a local tax burden.

We would refer here to the discussion under Proposal 5, in which we concluded that no business assessment should be applied to government administrative facilities.

As a result of the foregoing, it makes eminent good sense to us that this Proposal should, if implemented, operate instead of current payments in lieu of taxes based on such considerations as acreages, student places and partial mill rates. We also agree that a business assessment should apply to public utilities and government businesses such as the Liquor Control Board, the Province of Ontario Savings Office, government bookstores, etc.

Some municipal and school board objections were based on a fear that this Proposal would result in marginal additional administrative costs, because additional cheques must be issued, or because additional assessment values must be verified in order to afford the possibility of an appeal where necessary. We do not accept such fears as valid. Any local body now processes a multitude of disbursements by way of cheque. The introduction of the payment of a property tax bill to a municipality, or to as many local bodies as may be within a jurisdiction, cannot give rise to additional costs. While it is true that a school board, for example, may wish to examine the valuation of government property upon introduction, as it now does in respect of other property, we do not believe that this will prove to be an onerous task to those who are now on staff for this purpose. We note that this objection was voiced only in respect of property owned by a local body, and not in respect of provincial and federal government property. We detect no logic in this. We believe this Proposal should be examined from the point of view of the taxpayer, and not merely that of the local body to which he looks for explanation and guidance.

As is apparent from the foregoing, we attach considerable importance to this Proposal in that we see it as the only means to solve an element of unfairness which in itself is highly uneven in its impact. Accordingly, we recommend:¹

III.6:R1 That all public property be subject to payments in lieu of taxes in the manner suggested in this Report, and that a business tax apply to public utilities and government businesses.

As was explained earlier, all public property will now not only attract payments in lieu of taxes for municipal purposes, but for local school board purposes as well. It is felt to be important that this distinction prevail in order to prevent local groups such as teachers or municipal employees establishing bargaining positions with a view to obtaining salary or wage increases out of the whole of such payments rather than out of that part which relates to their employer.

The Province of Ontario now pays grants to municipalities on a variety of bases. In the case of provincial parks, payments are based on a sum per acre. In the case of universities, the basis is \$50 per student and there is a payment of \$50 per bed in respect of hospitals. Since these payments are not restricted by mill rates, there was a provision which did not allow some of these payments to exceed 25 percent of the total tax levy of a municipality (except the cost for local improvements). In the absence of such a provision, these payments could in some circumstances provide so many dollars to a municipality as to practically eliminate the need for a local levy. Similar consequences could arise under market value assessment and as will be seen from our observations elsewhere in respect of local autonomy and responsibility, we would consider that to be undesirable. Accordingly, we recommend:

III.6:R2 That there be a provision limiting provincial payments in lieu of taxes to a specified part of the local tax levy (excepting local improvement charges), and that a similar limitation be provided in respect of payments in lieu of taxes made by the Federal Government.

We note that in some cases the opposite holds true. There are instances where a municipality has unpatented land within its boundaries. This is often accompanied by an incidence of heavy truck traffic relating to logging and other resource operations resulting in disproportionately heavy road repair costs which must be met by the ratepayers. Accordingly, we recommend:

III.6:R3 That the Provincial Government examine the incidence of disproportionate costs arising out of operations conducted on unpatented land and make separate provision in the grant structure to alleviate the pressure on ratepayers in these circumstances.

¹We note that both Smith (Smith, op. cit., p. 154) and White (White, op. cit., p. 55) agreed with this approach.

Summary of Recommendations

- III.6:R1** That all public property be subject to payments in lieu of taxes in the manner suggested in this Report, and that a business tax apply to public utilities and government businesses.
- III.6:R2** That there be a provision limiting provincial payments in lieu of taxes to a specified part of the local tax levy (excepting local improvement charges), and that a similar limitation be provided in respect of payments in lieu of taxes made by the Federal Government.
- III.6:R3** That the Provincial Government examine the incidence of disproportionate costs arising out of operations conducted on unpatented land and make separate provision in the grant structure to alleviate the pressure on ratepayers in these circumstances.

7. Exempt Property

As is the present case, churches, cemeteries and property held in trust for a band or body of Indians will be exempt.⁽¹⁾ All other presently exempt property will be taxed at 100 percent of market value, except residences which will be taxed at 50 percent of market value.

Budget Paper E states further:

All non-profit and charitable organizations are presently exempt from property taxes except where they occupy property as a tenant. Through these exemptions, all governments and property taxpayers have been indirectly subsidizing these organizations. In suggesting this proposal, it is felt that direct assistance through grants is preferable to property tax exemption.

This Proposal, not altogether unexpectedly, generated the greatest reaction of all. The variety of properties and activities which would be affected reaches into every aspect of society, and submissions expressed concern with sometimes unusual eloquence.

In order to deal properly with the complexity inherent in the Proposal, the Commission examined individually each of four categories of property:

- Property owned by churches, cemeteries, and land held in trust for a band or body of Indians.
- Property owned by charitable and non-profit institutions.
- Property owned by private schools.
- All other exempt property.

¹Both Smith (Smith, op. cit., p. 161) and White (White, op. cit., p. 62) recommended a phase-in of taxation of churches over a period of years, at varying percentages of assessment value. On the other hand, an Intergovernmental Working Group on Real Property Tax Exemptions, A Canadian Approach to Minimizing Real Property Tax Exemptions, (Toronto, Intergovernmental Committee on Urban and Regional Research, 1974), p. 10, recommended continued exemption for churches and existing cemeteries.

Our comments will relate to each of these categories in this order. As before, we were guided in our deliberations by our framework of principles and by the need of practical implementation.

Property Owned by Churches, Cemeteries and Land Held in Trust for a Body or Band of Indians

The subject of a property tax as it relates to church property is a matter of some delicacy and had the Proposal suggested a tax be imposed, no doubt controversial reaction (both pro and con) would have been greater. Even so, we noted that by no means all who appeared were acquiescent to a continued exemption. A number of municipal briefs examined this and came out in favour of a property tax on church property, as indeed did some church voices. And it must be stated that in the light of all the reasoning applied so far, it seems incorrect that those who do not belong to a particular church, or to any church for that matter, should be required to make what is in effect a proportionate involuntary contribution by way of the tax foregone in respect of church property.

On the other hand, another perspective exists. As was pointed out in Proposal 1 in a different context, it is important that tax reform should not seriously affect an equilibrium which is fundamental to the very economic fabric of this Province. Similarly, an equilibrium exists in this context which has proved to be of lasting value to society: the separation of church and state. This credo, which finds its roots in centuries past, suggests that while the church should not govern, the state should not tax the church and thereby extract a contribution to the process of government. It seems to us that if one recognizes the importance of an equilibrium for economic reasons, one must surely recognize the importance of this equilibrium and for even more important reasons. We would therefore agree that a continued exemption for church property is appropriate. We would not however accept that this exemption should extend to property merely because it happens to be owned by a church. Church groups own and operate such facilities as camp grounds and it seems improper, as was pointed out before, that a local community should bear a cost by way of the tax foregone on a facility which is of benefit and use principally to those without that community. We would also note that a manse is taxable real property.

If church property is to be exempt for the reasons stated, then it follows for the same reasons that this exemption should also apply to convents and seminaries. Accordingly, we recommend:

III.7:R1 That such real property as is actually used as a place of worship, together with only such land as is essential to that purpose, be exempted from taxation; and that convents and religious seminaries, together with such land as is necessary to their operation, including land for the production of food consumed in such a convent or seminary and is contiguous thereto, be exempted from taxation.

We point out that where this is applicable, Recommendations made in respect of Proposal 4, and further in the course of Proposal 7, may have an application in the light of this Recommendation. An earlier comment was made under Proposal 5 in respect of parking lots which would also apply here.

We noted that in many instances, churches pay a user fee in respect of specific, direct services such as garbage collection. This is not a consistent practice throughout the Province. We can see no good reason why a user fee should not apply. For example no one argued that a church should be exempt from paying local utilities charges on a user basis. We believe therefore that municipalities should be empowered to collect such user fees. Accordingly, we recommend:

III.7:R2 That legislation be enacted to permit a municipality to impose, at its option, a user fee upon a church, a convent or a religious seminary, in respect of direct municipal services rendered to such a body.

Cemeteries represent a unique problem. Their financial structure is in many cases based upon funding for perpetual care. Such past funding did not take account of the possibility of a property tax at a future time. Were cemeteries to be taxed, it must be observed that those who use the property, and frequently own it, are well beyond the reach of the tax collector, while those who have yet to join their predecessors might well object to a bill which cannot be construed to be theirs. We concur with the Government's Proposal, and we recommend:

III.7:R3 That cemeteries continue to be exempt from taxation.

Our Recommendations on church property and cemeteries refer to an exemption from taxation rather than exemption from assessment. We believe that all property in the Province (except for Indian land) should be assessed, as is the case now. It also follows from the reasoning preceding these Recommendations that the local bodies having such properties in their midst, should not have to suffer a loss because of the operation of the provincial grant system. Accordingly, we recommend:

III.7:R4 That assessment values of places of worship, convents and religious seminaries together with the related land, and of cemeteries, not be added to total assessment values for grant distribution purposes.

Quite apart from considerations of fiscal propriety, we would observe that land held in trust for a body or band of Indians is invariably governed by treaty rights, which are ultra vires to the Government of Ontario. We therefore agree with the Government's reaffirmation, and recommend:

III.7:R5 That land held in trust for a body or band of Indians be exempt from assessment to tax.

Property Owned by Charitable and Non-profit Institutions

The variety of organizations involved was frankly enormous as will be apparent from the Appendix to this Report. A common thread was clear: a fear of the effect which a real property tax would have on their operations and therefore on those they serve. It should be noted at the outset that considerable offense was taken to the observation that through exemptions, all governments and taxpayers have been indirectly subsidizing these organizations. On the contrary, especially the volunteer organizations felt, and we believe justifiably so, that they delivered a service which in their absence would need to be supported by tax money; and that therefore they were the ones providing the subsidy. There is truth to both arguments. There is no doubt whatever that services of the widest possible variety and merit are provided on the basis of a commitment of volunteer labour and of volunteer donations. It is also true however, that there is a further contribution in a fiscal sense, of dollars which can only be measured by way of the tax foregone. Such a contribution is of course as involuntary as it is hidden.

We are persuaded beyond doubt that the existence of such organizations is of direct, measurable benefit to a local community, although we see the benefit in a broader sense than presented so far. For example, an active camping operation run by a charitable organization is of direct benefit to those who use the camp, but also to the community by way of a spin-off related to the purchase of local goods and services. In this light it becomes apparent that the benefits provided by such organizations, directly or indirectly by virtue of their presence, can only be adequately measured, appreciated and evaluated by the local community concerned.

On the other hand, the negative impact of a treatment less favourable than is now available could be substantial. Submissions observed that exemptions have a quality of certainty which is lacking in grants, which may vary in both duration and amount. They also feared that much time would be wasted by building substantial, well-supported pleas for grants. Some expressed the hope that if a grant mechanism were to be recommended, this at least would be a provincial grant rather than a local grant. Most however agreed with an observation by one of the Commissioners: "One exemption in the hand is better than two grants in the bush". There is one other aspect which has a bearing on the comparison of an exemption approach versus a grant approach: exemptions are less visible and therefore less measurable. On the other hand, an exemption is not only certain, it is also constant. We would observe that this is not necessarily meritorious. Exemptions, once granted, tend to become enshrined with an aura of permanency, and thereby tend to proliferate as the demands of society change and new agencies are created in response to such change. A startling illustration of this came to light during our public meetings. A submission stated that it represented, as

central funding, planning and coordinating body, 330 non-profit organizations serving a population of over 115,000. This, on average, works out to one non-profit organization for each 350 in population, and this average would be distorted because not all 115,000 would partake of the services supplied.

The financial cost of the tax lost through exemptions rests not only upon the ratepayers of a municipality, but upon those of a school board, a county and a region as well. It is therefore inappropriate that a unilateral decision made by one of these, in perhaps too narrow a perspective, should have a financial consequence upon others who might bring to bear a different perspective.

To sum up, the Commission is persuaded that in certain circumstances an exemption from property tax is an appropriate mechanism in aid of charitable and non-profit organizations. We believe this to be so, in that the exemption is in effect a local cost which should be compared against the local benefit derived therefrom.

It is also for this reason that we do not believe provincial involvement to be appropriate. Furthermore, in order to be effective to their purpose, we recommend:

III.7:R6 That exemptions not be partial, but be in respect of all property taxes for whatever purpose.

We do not accept that an exemption, once granted, should necessarily remain forever. A review mechanism which may take account of changes over time seems appropriate. Since we believe that the exemption should apply to the entire property tax, the decision as to whether an exemption should be granted should rest with elected representatives of ratepayers of each local body affected.¹ Accordingly, we recommend:

III.7:R7 That exemption from taxation in certain circumstances continue to apply to charitable and non-profit organizations as evidenced by the nature of their activities; and that such exemptions remain in effect for a period of up to, but not exceeding, five years.

We further recommend:

III.7:R8 That an Exemption Review Committee be established, on which shall serve a representative of each of a municipal council, a public school board, a separate school board, a county or a regional government as the case may be, and as have an interest in the taxation of the real property in respect of which an exemption is requested.

We further recommend:

III.7:R9 That the decision of the Exemption Review Committee be determined by a majority vote, and that in the event of a tie, the chairman must break that tie.

¹Both Smith (Smith, op. cit., p. 165) and White (White, op. cit., p. 63) agree with an elimination of statutory exemptions and a greater emphasis on local responsibility.

We further recommend:

III.7:R10 That the decision of the Exemption Review Committee not be subject to appeal by the requesting organization, nor by such municipality, public school board, separate school board or upper tier body as may have participated in that decision.

We further recommend:

III.7:R11 That the assessment at market value of the real property exempted from tax by the Exemption Review Committee, continue to be included with taxable assessment for grant purposes.

We further recommend:

III.7:R12 That a municipality may continue to make such grants as are currently permitted, and that such grants not bear upon any other local body or school board.

We further recommend:

III.7:R13 That tax exemptions of real property such as now exist, be continued throughout the year immediately following the implementation of property tax reform, and that where assessment related to such real property is not now included for grant purposes, it not be included during the course of that year.

We further recommend:

III.7:R14 That the aggregate annual cost, as measured by the tax foregone for all purposes in respect of such exempted real property as is owned by charitable and non-profit organizations, be provided to each affected ratepayer.

It will be apparent from these Recommendations that we have attempted to recognize the need for exemptions and the importance of local autonomy and the responsibility which should go with it. We would also observe that the cost of an exemption becomes entirely local, in that it is isolated from the grant system. This is consistent with our earlier reasoning, both in this Proposal and elsewhere. Our Recommendations should not place an onerous burden on deserving organizations, either in terms of taxes or in terms of repetitive, annual, "cap-in-hand" treks in pursuit of a grant which is subject to direct annual expenditure budget considerations. Yet it seems to offer sufficient flexibility to allow, over time, a change in the emphasis of the purpose to which exemptions should be applied. We would also observe that we believe the implementation should be such as not to cause an impossible administrative load at the commencement of property tax reform. We also note that we have no ready solution for charitable and non-profit organizations who rent their premises, and thereby continue to pay a property tax. However, we would observe that in most instances the rent is reflective of the benevolence of the landlord. We would also point out that we have recommended that a munici-

pality may continue to make grants at its own prerogative and therefore at its own cost.

Some might criticize these Recommendations as being unfair in their effect, in that a worthy organization which is granted an exemption in one community, may be refused in another. Yet we would conclude that this is precisely appropriate. The decision must follow upon local criteria of every possible description, and none other: worthiness to one may not necessarily meet the needs and criteria of another.

We are aware from many submissions by local "Y"s, that these now find themselves in exactly such a situation. Some are fully taxed, some are exempt and yet others fall in between. "Y" exemptions have been granted by way of a private bill in many instances. We also note that other statutory exemptions were granted by way of Section 3 of The Assessment Act; examples are The Boy Scouts Association, The Canadian Girl Guides Association, The Canadian Red Cross Society and a variety of similar organizations referred to in a general sense only. All of such exemptions were created by parliamentary authority and we disagree that this should be so. Accordingly, we recommend:

III.7:R15 That all statutory exemptions of the property tax be repealed, except those referred to in Recommendations III.7:R1, III.7:R3, and III.7:R5, but including those arising from private members' bills; and that in future, a private bill or a private member's bill seeking an exemption from property taxes, not be enacted.

We would point out here that under Section 248a of The Municipal Act, municipalities may make a grant to a deserving organization. We think this is an appropriate discretionary power. If the Exemption Review Committee were to deny a request, there is nothing to prevent a municipality from making a grant. The cost of such a grant should bear only upon the municipal ratepayers however. We would also point out that the manner in which an exemption is granted may yield the same effect as though the exemption were only partial. For example, where the Exemption Review Committee might normally be inclined to grant an exemption for half of the total taxes for two years, then an exemption of all taxes for one year accomplishes substantially the same financial result.

Property Owned by Private Schools

The level of concern expressed by private schools matched that of charitable and non-profit organizations. Arguments in favour of a continuation of the exemption privilege ranged from constitutional considerations, to double taxation, to simple sheer abhorrence in contemplation of the consequences in particular circumstances.

The Commission agrees that private schools, if subjected to a property tax on an assessment at 100 percent of market value, would be so deeply affected as to place their continued operation in very serious jeopardy. In contrast with the public and separate school systems, community colleges and universities, private schools draw no visible public support. This is a matter of longstanding Government policy and the Commission would agree that it is appropriate that this be so.¹

It would appear to us that the Government of Ontario maintains as a fundamental policy that educational opportunity should be available to all throughout this Province, in as consistent a quality as may be achievable. It is proper that this policy should be implemented by means of a school system supported out of the provincial and local public purses. And it is entirely logical that public resources should apply solely to public and separate schools at the elementary level as the instruments to give effect to that policy which finds its roots at the very beginning of Canada as a country: The British North America Act. It would be illogical to diffuse the capacity for financial support of these school systems by also supporting private institutions which, though devoted to education, restrict this by way of direct or implied stipulations as to financial capacity, social standing, and so forth. As we have argued earlier, it is incumbent upon all that a public facility available to the service of all should be supported by all; and that this should be so regardless whether, for whatever private reason, one uses such a facility or not. (This conclusion was also explored in Chapter I and under Proposal 2 of this Report.) We therefore agree with the Government's policy in this respect and we would disagree with those who argued before us that since they send their children to a private school at sometimes considerable private sacrifice, they should not have to support the public school system. Such a position appears to us untenable.

We would agree however that the removal of the exemption privilege from real property owned by a private school, quite apart from the problem it creates, has an unfair fiscal consequence. If a private school were to be subjected to a property tax levy, approximately half of that tax would go to the support of the public school systems. The only means available to a private school to recover the tax cost is its fee structure. As a result, those who pay direct school support in their own property tax bill and also in a fee to a private school, are in effect subjected to double taxation, and this is unacceptable.

We recognize that this argument cuts both ways. We stated earlier that private schools draw no visible public support; but they draw invisible public support by way of the property tax exemption and the

¹One Commission member, Dr. Joseph W. Fyfe, did not agree that this aspect of Government policy is appropriate. In stating the Commission's concurrence with this aspect of the Government's policy, we do not mean to extend this to such as federal grants in support of bilingualism, which the Province will not now make available to private schools. One would think that bilingualism, whether it is taught privately or publicly, remains of national, and therefore also of provincial, importance.

tax foregone, half of which would have stood in support of the public school systems. The local school boards, representative of the local public purse, support the private schools in this way and pass the cost of this support on to their ratepayers by means of correspondingly higher mill rates. This is double taxation by the same measure. Furthermore, in the case of private residential schools, insult is added to injury in that the benefit accrues to those residing elsewhere.

In summary, there is no doubt that the existing exemptions are unfair and there is also no doubt that the removal of these exemptions, in the absence of other measures, would be equally unfair.

During our hearings, it became quite clear that the existence of private schools is of significant importance to the public purse because they are privately financed, without direct tax surrender to those who carry this financing. A surprisingly large number, currently estimated at 55,000, attend private schools. In many cases they believe that the quality of education obtainable there is superior, as no doubt it is in some instances. If private schools were to cease their operations, as indeed could happen, then these pupils would have to be accommodated within the existing public and separate school facilities. While we do not believe that the implied cost increase would be directly proportionate to the number of new pupils, it is nevertheless likely to be considerable and this would be a loss which has to be supported by all taxpayers.

There is an additional cost from an education point of view. Funds now committed to education by way of fees paid in support of private schools, would no longer go to education in this Province (although a portion might go in support of private schools outside of the Province—surely an undesirable thing). By this measure, the aggregate cost to the Province as a whole, in respect of the entire field of education, may be expressed as the monies now spent on private schools from private resources, less the money gained by way of imposition of the property tax. Although we have no means of quantifying this sum, we suggest that even conservative estimates will lead to a *prima facie* conclusion that this is entirely unacceptable. It is also clear that the cost to the Province is far greater than the aggregate tax exemption costs in all of the communities where there are private schools.

Some private school representatives would argue that the private schools are supporting the general public because they educate 55,000 pupils at no public cost. This is very much like arguing that eating in a restaurant supports the general public because of the sales tax applicable to the meal, while food bought in a grocery store is exempt from that tax. In our view, the argument is not whether the private schools save money for the Province, but whether the Province would create an additional cost by changing the status quo.

We are moved, because of the great problems inherent in an exemption removal as recited above, to consider what we foresee as con-

sequences if the exemptions were to be left in place. If private schools were to remain exempt, the unacceptable features of unfairness would remain in place as well. Furthermore, it would follow by extension that a tax levied upon public schools and separate schools could no longer be defended. Similar considerations would apply to universities and community colleges. If schools remain untaxed, then it would follow that other local property should continue to be exempt, as should conservation authorities, and then real property owned by the Provincial Government. No logical reason would remain which would serve as a basis for negotiation with the Federal Government. Since all of this would seriously affect the relative assessment mix as between property classes, the taxable assessment percentage applicable to residential real property would need to be re-examined, as would the treatment of farms, of vacant land and indeed, the very basis of the future grant structure. This Commission could therefore not support that the existing exemptions should continue.

We are encouraged by the Government's statement in Budget Paper E: *It is felt that direct assistance through grants is preferable to property tax exemption.*

We agree wholeheartedly. We believe this to be so since all the elements present here indicate that what would be accomplished is not a creation of public support where none existed before, but rather an acknowledgement that public support did in fact exist before and that this support was lacking only in visibility. Furthermore, since we have determined to our satisfaction that the cost of an exemption removal without offsetting measures would bear upon all in the Province, we conclude that logic dictates that the cost of the offsetting measures should be supported by all in the Province. Accordingly, we recommend:

III.7:R16 That exemptions from property tax, heretofore extended to private schools, be removed; and that the real property owned by private schools carry a taxable assessment at 100 percent of its market value; and that where such property is residential property it carry a taxable assessment at 50 percent of its market value.

We further recommend:¹

III.7:R17 That the Provincial Government, upon implementation of property tax reform, pay grants to private schools in the precise amount of the property tax paid by such private schools.

We further recommend:

III.7:R18 That the Provincial Government keep account of all such payments to private schools, and that the Government reclaim a maximum of 10 years' payments, together with simple interest

¹We note that both Smith (Smith, op. cit., p. 157) and White (White, op. cit., p. 61) made very similar recommendations.

thereon at the weighted average annual bank prime lending rate, in the event of a sale of the relevant real property of such a private school, except where all of the net proceeds of such a sale are used for education purposes in the Province of Ontario.

We recognize that, in the absence of the explanations and reasoning which preceded these Recommendations, it would appear as if their effect would be an undermining of a long and validly held Government approach to education. As stated at the outset, we could support no other. We believe however that a better and clearer understanding of the property tax and of the effect of an exemption thereof has emerged. To maintain that no public support should be granted because of positions established at a time when the property tax was less well understood, would appear to be a continued adherence to what is, in truth, a shibboleth.

Because of the sensitivity surrounding this question, we are nevertheless fearful that the collective effort exerted by many throughout the Province in order to bring about needed property tax reform may stand for nought and the issue at hand is not the issue upon which reform should founder.

In the event that the Government finds the foregoing Recommendations (to which we adhere) in respect of private schools unacceptable for policy reasons, we submit for consideration one alternative approach to the problem and after considerable hesitation, we recommend:

III.7:R19 That in the alternative, exemption from a tax on real property continue to apply in respect of real property owned by a private school; and that the assessment at 100 percent of the market value of such real property be included in the assessment for grant purposes; and that the Government pay a grant to an affected local government in the amount of the tax it has foregone perforce of the exemptions; and that such a grant be paid in addition to grants which would otherwise apply.

All Other Exempt Property

It is proposed that highways should continue to be exempt from real property assessment, and we concur for reasons of practical implementation that this should be so. We note that highways yield significant indirect tax revenue by way of use through such as gasoline taxes and motor vehicle licences. Were the exemptions to be removed, consideration would need to be given to the treatment of all streets throughout the Province and we reject this as unworkable and undesirable for that reason.

It was suggested by some that minerals in an ore body should be assessed to property tax. We cannot accept this suggestion. A separation of minerals would appear to be closely akin to a valuation of the income

potential in that mineral. This is not unlike a productivity value approach. Our reasons for rejecting this as the exclusive measure of valuation for assessment purposes were explained at length under Proposal 4 and by implication in Chapter I of this Report. We also reject the notion that assessment to property tax should apply to underground operations of a mine. This is inconsistent with our concept of the real property approach to taxation. For purposes of this Proposal and in the light of current practices, we would refer to the discussion preceding our Recommendation 1 relating to machinery and equipment.

We have become aware that mining communities in the northern part of the Province feel significantly disadvantaged, in that the nature of a mine is such as to yield a property tax which is modest in comparison to other taxes extracted from mining activities, such as income and special mining taxes. Moreover, much of the secondary processing of ore is carried on in communities to the south on the basis of operations which are more real property intensive in nature. It is therefore felt that residents in the south benefit not only from ore extracted in the northern community, but also because residents in the north bear a proportionately greater tax burden on residential property as a result. The posed problem exceeded both our ambit and our competence and we have no recommendation to offer. However, we would suggest that the Government should subject this situation to separate scrutiny.

Summary of Recommendations

- III.7:R1** That such real property as is actually used as a place of worship, together with only such land as is essential to that purpose, be exempted from taxation; and that convents and religious seminaries, together with such land as is necessary to their operation, including land for the production of food consumed in such a convent or seminary and is contiguous thereto, be exempted from taxation.
- III.7:R2** That legislation be enacted to permit a municipality to impose, at its option, a user fee upon a church, a convent or a religious seminary, in respect of direct municipal services rendered to such a body.
- III.7:R3** That cemeteries continue to be exempt from taxation.
- III.7:R4** That assessment values of places of worship, convents and religious seminaries together with the related land, and of cemeteries, not be added to total assessment values for grant distribution purposes.
- III.7:R5** That land held in trust for a body or band of Indians be exempt from assessment to tax.
- III.7:R6** That exemptions not be partial, but be in respect of all property taxes for whatever purpose.

- III.7:R7** That exemption from taxation in certain circumstances continue to apply to charitable and non-profit organizations as evidenced by the nature of their activities; and that such exemptions remain in effect for a period of up to, but not exceeding, five years.
- III.7:R8** That an Exemption Review Committee be established, on which shall serve a representative of each of a municipal council, a public school board, a separate school board, a county or a regional government as the case may be, and as have an interest in the taxation of the real property in respect of which an exemption is requested.
- III.7:R9** That the decision of the Exemption Review Committee be determined by a majority vote, and that in the event of a tie, the chairman must break that tie.
- III.7:R10** That the decision of the Exemption Review Committee not be subject to appeal by the requesting organization, nor by such municipality, public school board, separate school board or upper tier body as may have participated in that decision.
- III.7:R11** That the assessment at market value of the real property exempted from tax by the Exemption Review Committee, continue to be included with taxable assessment for grant purposes.
- III.7:R12** That a municipality may continue to make such grants as are currently permitted, and that such grants not bear upon any other local body or school board.
- III.7:R13** That tax exemptions of real property such as now exist, be continued throughout the year immediately following the implementation of property tax reform, and that where assessment related to such real property is not now included for grant purposes, it not be included during the course of that year.
- III.7:R14** That the aggregate annual cost, as measured by the tax foregone for all purposes in respect of such exempted real property as is owned by charitable and non-profit organizations, be provided to each affected ratepayer.
- III.7:R15** That all statutory exemptions of the property tax be repealed, except those referred to in Recommendations III.7:R1, III.7:R3, and III.7:R5, but including those arising from private members' bills; and that in future, a private bill or a private member's bill seeking an exemption from property taxes, not be enacted.
- III.7:R16** That exemptions from property tax, heretofore extended to private schools be removed; and that the real property owned

by private schools carry a taxable assessment at 100 percent of its market value; and that where such property is residential property it carry a taxable assessment at 50 percent of its market value.

III.7:R17 That the Provincial Government, upon implementation of property tax reform, pay grants to private schools in the precise amount of the property tax paid by such private schools.

III.7:R18 That the Provincial Government keep account of all such payments to private schools, and that the Government reclaim a maximum of 10 years' payments, together with simple interest thereon at the weighted average annual bank prime lending rate, in the event of a sale of the relevant real property of such a private school, except where all of the net proceeds of such a sale are used for education purposes in the Province of Ontario.

III.7:R19 That in the alternative, exemption from a tax on real property continue to apply in respect of real property owned by a private school; and that the assessment at 100 percent of the market value of such real property be included in the assessment for grant purposes; and that the Government pay a grant to an affected local government in the amount of the tax it has foregone perforce of the exemptions; and that such a grant be paid in addition to grants which would otherwise apply.

8. Phasing-In Tax Reform

A uniform method of phasing-in the new tax system over a period of up to five years will be available to prevent abrupt tax changes.

Budget Paper E elaborates further by explaining that the introduction of the proposed tax system without a phase-in process may result in large property tax changes for some taxpayers and that therefore the new tax system should be accompanied by appropriate phase-in procedures.

Comments on this were mostly confined to municipal submissions. Some argued that since tax reform would finally correct long standing inequities and unfairness, those who paid too much for too long should not have to continue to do so, even temporarily. By the same token, those who in the past have been subsidized should now commence to contribute their fair share without further delay.

Others felt that while there obviously had been unfairness which resulted in some taxpayers being subsidized by others, none had thought this to be the case and those who benefitted did so through no action of their own as the fault lay with the system. Hence no taxpayer should be unduly penalized by suffering large increases all at once. Further-

more, those who had paid too much had in almost all instances not perceived this to be the case. It was therefore acceptable that a phase-in should operate in order to smooth out those tax changes which otherwise would be disruptive.

Still others felt that those who paid too much historically should benefit from a decrease all at once and that the concomitant increases to others should be phased-in, the shortfall in local funds to be financed by way of provincial grants.

There is merit in all but the last argument, in our view. The incidence of significant shifts will be a highly localized phenomenon, in that it will vary considerably from one municipality to another. We do not see why the general provincial taxpayer should subsidize an approach which would ameliorate the impact of the required corrective action.

Since we noted that significant shifts will be a highly localized phenomenon, we consider that a phase-in procedure should be permissive rather than compulsory so that it may apply where it is needed most in the judgement of those who live there and therefore will live with it.

As Budget Paper E points out, experience with a phase-in procedure exists in reassessed municipalities such as the Regions of York and Peel and it was found to operate satisfactorily and to the desired effect. We have also concluded that, were a phase-in to operate, it should not apply to any changes in the proportionate sharing of certain joint costs between local bodies such as school boards, regional municipalities and conservation authorities. Furthermore, in order to avoid that a phase-in would be used as a mechanism to effectively delay the implementation of property tax reform, we consider that such a procedure should not extend beyond a five year period. Accordingly, we recommend:

III.8:R1 That a uniform method of phasing-in the new tax system over a period of up to five years be available to prevent abrupt tax changes.

It should be noted that the Commission considers the provisions of Section 505 of The Municipal Act to be appropriate for this purpose.

It is also relevant to observe that Section 636a(1)(g) allows a municipality to grant relief from taxes to individual ratepayers in the event that taxes appear to be unduly burdensome. We would also note, consistent with our earlier observations on local criteria and local responsibility, that the decision to grant such specific tax relief should be made by the municipal council and not by the Assessment Review Court.

There could be circumstances where a municipality would feel the need for a phase-in procedure, but lacks the necessary technical expertise. The Commission would hope that in such circumstances, technical assistance may be provided by the Provincial Government.

Summary of Recommendations

III.8:R1 That a uniform method of phasing-in the new tax system over a period of up to five years be available to prevent abrupt tax changes.

9. Return of Assessment Rolls

Assessment rolls will be returned and enumeration will be performed every two years to coincide with local government elections.

Present practice is that assessment rolls are returned each year and that an enumeration takes place each year.

This Proposal was generally received with favour and caution. It was viewed as essential that where a taxpayer now has an annual right of appeal coinciding with the return of an assessment roll and receipt of an assessment notice by him, this right should not be diluted to once each two years, and we agree. In addition, existing procedures for continuous updating of assessment information will take on additional importance, particularly in respect of the designation of school support. We suggest that an updated roll each off-year provided to local bodies only, will assist significantly in ensuring that such updating operates in the required manner. We also consider that bi-annual assessment notices to the taxpayer should show the amount of market value assessment, taxable assessment, the tax category of the real property and the school support of record. Accordingly, we recommend:

III.9:R1 That assessment rolls be returned and enumeration be performed every two years to coincide with local government elections.

III.9:R2 That the annual right of appeal be maintained and that taxpayers be advised in the off-year of this right by means of notices published in local newspapers, setting out the dates in which an appeal may be lodged.

III.9:R3 That continuous updating of assessment information take place, including updating in respect of changes in the designation of school support.

III.9:R4 That an updated roll be forwarded in each off-year to all local bodies.

We note with satisfaction that, once fully implemented, this revised procedure will save an approximate \$2.5 million in public funds every two years as estimated in the Report of the Special Program Review, November 1975.

Summary of Recommendations

III.9:R1 That assessment rolls be returned and enumeration be performed every two years to coincide with local government elections.

- III.9:R2** That the annual right of appeal be maintained and that taxpayers be advised in the off-year of this right by means of notices published in local newspapers, setting out the dates in which an appeal may be lodged.
- III.9:R3** That continuous updating of assessment information take place, including updating in respect of changes in the designation of school support.
- III.9:R4** That an updated roll be forwarded in each off-year to all local bodies.

10. Government Property School Support

Assessment on provincial government property will be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences.

Budget Paper E explains further that payments in lieu of taxes on provincial government property have been in respect of municipal purposes only, excluding school purposes. Since provincial funds are raised from all taxpayers in the Province, the Government considers that when it commences to make full payments in lieu of taxes (including school taxes), both school systems should share the assessment of provincial property.¹ All provincial assessment would support the secondary schools. This Proposal would also extend to federal, municipal and any other public properties.

A significant volume of comment was made in respect of this Proposal, more particularly by Roman Catholic separate school boards. Most of these objected to the concept that assessment of government properties should be assigned in the same proportion as taxable assessment assigned for school support purposes by residential property owners and tenants. Instead, it was proposed that such assessment should be apportioned on a per pupil basis as between public and separate school boards. Significant analysis, sometimes exhaustive in nature, was submitted in order to illustrate the effect of this suggestion.

In order to understand the motivation underlying this suggestion, it is necessary to understand the situation in which the separate school system finds itself. Without pretending to be all comprehensive in the relevant technical aspects surrounding this subject, the following narrative may assist in providing that required understanding. While both public and separate school systems are the instruments of provincial education policy and therefore are both supported by provincial grants in a comparable way, the designation of school support works in such a manner that, unless a Roman Catholic residential owner or tenant indicates separate school support, his taxes are automatically brought

¹We note that this dovetails well with our observations under Proposal 7 in respect of private schools.

in support of the public school system. The same observation applies to single proprietors of a business who may designate their business and property assessment, failing which the tax monies stand in support of public schools. Where a residential property is jointly owned, support falls automatically to a public school board, unless the husband is a Roman Catholic. Practical restrictiveness increases with the complexity in the ownership structure of a business. If one of five partners is Roman Catholic, business and property tax support a public school board, as is the case where four partners are Roman Catholic and but one is not. In the case of corporations, legislation provides that assessment may be assigned in a proportion between the two school systems such as is indicated by the religious affiliation of all shareholders obtained by means of a poll, which currently would need to be conducted each year. The impracticality of such a procedure in respect of corporations which have their shares traded on a stock exchange is obvious; even more so when trading may be conducted on a foreign stock exchange as well.

The result of all this is that the local tax support base in service of the Roman Catholic separate school system is significantly more restricted than that of the public school system.

Since a per pupil comparison in the absence of a measure of assessment wealth would result in a significant improvement in the position of a separate school board as compared to a public school board, it was seen as a means to overcome long existing disparity between the two.

It should be clearly understood that the Commission does not propose to comment generally upon the propriety underlying the legislation and that we seek to enquire only into matters of fairness which are directly or indirectly related to property taxation. In this context, it has been argued that while both school systems are the implementation instruments of provincial education policy, it is in the public school system where, in the final analysis, the guarantee of equal opportunity to an education without charge to the user comes to rest. We also acknowledge that some submissions pointed to Section 93(1) of The British North America Act, wherein it is provided that nothing in laws related to education shall prejudicially affect any right or privilege with respect to denominational schools which any class of persons had by law in the Province at Confederation. This, they argued, supports that the effective restrictions in property tax support designation are in contravention of the spirit expressed in this constitutional provision. In addition, it was pointed out that the very process of commerce, and therefore the taxes which emanate therefrom, is supported in equal measure by ratepayers of both school systems.

On balance, we conclude that while there appear to be anomalies as outlined above, the solution does not lie in using only a per pupil mechanism in the distribution of pooled assessment. It should be recognized that the local base of education support is property, and not population or children accommodated in each property. It does not

appear logical to base the distribution on a standard other than that which finds its origin in the real property wealth. Had the support base been a head tax, the conclusion would have been different. Obviously, a head tax cannot be defended upon any premise other than a user-fee concept, which in turn cannot be reconciled with a policy which seeks to provide equality of education to all. It follows that a per pupil distribution is therefore inconsistent with such equality and that separate school advocates of such an approach to distribution thereby inadvertently undermine the very rationale for any public support other than in respect of the property tax which would apply to separate school facilities. (We would refer in this to our more detailed discussion in the category of private schools under Proposal 7.)

The present provincial educational grants formula, however, compensates for this disparity to some extent by providing higher grants to the school boards with lower assessment "wealth" and vice versa. This puts Roman Catholic separate school boards approximately on a par with the elementary panels of public school boards up to the limits of the grant ceiling. Where a school board's expenditures are in excess of the grant ceilings and for expenditures which are not recognized for grant purposes, a Roman Catholic separate school board usually is at a disadvantage because of lower average assessment than a comparable public school board.

Nevertheless, there remains the question of apparent inadequacies in the assignment for this purpose of both real property and business assessment of commercial and industrial property. We are persuaded that current practices are inequitable and accordingly, we were prepared to recommend that assessment on commercial and industrial property which cannot now be effectively assigned by means of direct individual ownership, also be pooled in the same manner as suggested for purposes of this Proposal. An exception would be a partnership, where support would be assigned pro-rata of the affiliation of the partners themselves.

We stand shy of a formal recommendation for one principal reason.¹ It is our understanding that the total cost of education in this Province, measured on a per pupil basis, is among the highest in the world.² None should view the provincial coffers as lacking a bottom. The effect of such a recommendation would be to make significant sums available to separate school boards but as this cannot be construed as being "new" funds, there would be a corresponding decrease in funds available to public school boards. We were advised time and again that local education costs are largely fixed in nature. (This may be true, but nevertheless the cost level was established by decisions which sought, in many

¹One Commission member, Dr. Joseph W. Fyfe, dissented, in that he felt the recommendation should have been made. He considers that otherwise, mill rates of separate school boards will rise in comparison to public school board mill rates, and that this in turn will frustrate the intent of Proposal 1. The other Commission members do not concur for the reasons stated.

²Some suggest it is the highest in the world.

instances, to accommodate available revenue.) We found that invariably, the cost of education per pupil in a separate school system is lower than that in a public school system. We fear that with an influx of additional funds, the cost of education per pupil will rise in separate schools, but not decrease in public schools and as a result, that an undesirable increase will ensue in the overall education cost to the Province. This is unsupportable in our view. We recognize however that our fear is more based upon our view of human nature than it is based upon factual research into an area which is beyond our ambit. We therefore suggest to the Government that studies be conducted to determine whether a recommendation such as outlined would result in defects which are worse, or costs which are greater, than which now exist.¹

In the perspective of this Proposal, and Proposal 6, it would seem entirely appropriate that both public and separate school boards should each be able to assign their own assessment in support of their own systems. Furthermore, where as a result of these Recommendations, payments in lieu of taxes are made in respect of any property in addition to government owned property (public hospitals, universities, etc.), then the underlying assessment should be pooled as well,² as should assessment of secondary schools. Accordingly, we recommend:

III.10:R1 That assessment of all government property be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences; and that the pooling of taxable assessment be extended to incorporate all taxable assessment in respect of which a senior government will make payments in lieu of taxes.

We further recommend:

III.10:R2 That public school boards and separate school boards each be permitted to assign the taxable assessment of their own real property to the support of their respective school systems.

Summary of Recommendations

III.10:R1 That assessment of all government property be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences; and that the pooling of taxable assessment be extended to incorporate all taxable assessment in respect of which a senior government will make payments in lieu of taxes.

¹Smith (Smith, op. cit., pp. 398-399) recommended that corporate assessment be pooled and we agree subject to our observations as to cost. Smith then suggested a pool allocation on a per pupil basis. We disagree for reasons stated. White (White, op. cit., p. 116) rejected both of these recommendations.

²Roman Catholic hospitals, universities, etc. should, of course, be able to assign their assessment.

III.10:R2 That public school boards and separate school boards each be permitted to assign the taxable assessment of their own real property to the support of their respective school systems.

11. Shared Costs

Costs shared among municipalities will be shared on the basis of the assessment on which taxes and payments in lieu of taxes are based.

Budget Paper E refers to local costs inherent in services provided by school boards, counties, regions, health units and children's aid societies. The methods of sharing such costs vary and may involve formulae based on population, acreages, miles of road and equalized assessment. The Proposal foresees that the sharing of costs among municipalities should now generally be based on taxable assessment and such assessment as attracts payments in lieu of taxes. However, the Government did not intend to eliminate the possibility of agreements to share costs of specific projects on some other basis. An example offered is the cost of a project (as distinct from an operating budget) under The Conservation Authorities Act.

We found this Proposal to have a broad basis of support, particularly since it is provided that an alternative method may be chosen if that seems sensible in the light of local circumstances. We were attracted by the logic of this Proposal. Currently, the methods to give effect to a sharing of costs are legion and the effort applied, both in developing and applying existing formulae, would in some cases be indicative of an administrative monstrosity. Much of this will become obsolete with market value assessment, as the need of increasingly inadequate assessment equalization factors is eliminated and no doubt all would say good riddance.

It occurs to us that the effect of this Proposal and its resulting administrative simplicity may be further enhanced. This may be illustrated at the hand of a conservation authority. As it is proposed, a conservation authority would advise all sharing municipalities of the total levy it requires, beyond the yield of admission fees and provincial grants. The municipalities would then each accept their respective dollar costs based on proportionate taxable assessment values in each, and incorporate the resulting amount in each of the municipal budgets, whereupon a mill rate would then be struck.

Instead, a conservation authority might simply divide its total municipal dollar requirements by the aggregate taxable assessment in all of the sharing municipalities, thereby establishing its own mill rate. The municipalities would then be advised of this mill rate and simply add it to their own. It would seem a more direct approach which would lend itself more easily to public focus upon the local cost in a conservation authority.

It will be readily apparent that this example will extend to many other similar situations as well; for example, it seems just as appropriate for a regional levy and a county levy as it is for a school levy. We would refer to the discussion of Proposal 6, which is related. We would also refer back to our view, expressed elsewhere, that we foresee a new property tax system, as based on the Recommendations of this Report, would over time lead to a focus upon the mill rate as the means of local control and review of local spending and priority choices. We believe our suggestion, which is more of a technical rather than a structural nature, to be entirely consistent with that. With this in mind, we recommend:

III.11:R1 That costs shared among municipalities be shared in the manner suggested in this Report.

Summary of Recommendations

III.11:R1 That costs shared among municipalities be shared in the manner suggested in this Report.

12. Grants Based on Assessment

Where assessment is to be used to determine the grant to be paid to a municipality, the assessment used will be the assessment on which taxes and payments in lieu of taxes are based.

Budget Paper E explains that grants in support of education and of highway expenditures and the resource portion of certain unconditional grants, are now largely (not exclusively) made on the basis of property assessment. Furthermore, since payments in lieu of taxes are not now made for school purposes, the related assessment is not now included for education grant purposes. Reference may be had to the discussion under Proposal 10 and generally to repeated references throughout this Report on market value assessment as the base, not only for the levying of property tax, but also for purposes of grant distribution.

This Proposal is a logical extension of Proposal 10 and is consistent with the reasoning developed in Chapter I of this Report. We note however the Recommendation made under Proposal 7 with respect to possible exemption from tax on real property owned by charitable and non-profit organizations. It may be recalled that we did not recommend an exemption from assessment on such property but rather an exemption from tax. It followed that the assessment should continue to be included for grant distribution purposes for reasons explained. On the other hand, assessment on places of worship and related land, and on cemeteries should be excluded for this purpose. In this light, we recommend:

III.12:R1 That where assessment is to be used to determine the grant to be paid to a municipality, the assessment used be the assessment

on which taxes and payments in lieu of taxes are based, in the manner suggested in this Report.

Summary of Recommendations

III.12:R1 That where assessment is to be used to determine the grant to be paid to a municipality, the assessment used be the assessment on which taxes and payments in lieu of taxes are based, in the manner suggested in this Report.

13. Unorganized Areas

The provisions of The Assessment Act will apply to the assessment of all real property in Ontario, including areas without municipal organization.

It is further stated that assessment provisions contained in The Statute Labour Act, The Local Roads Board Act and The Provincial Land Tax Act will be repealed.

We note that there has been but limited analysis done on the effects of these Proposals in areas without municipal organization and Budget Paper E concludes that the rates at which tax will be levied should be carefully examined prior to implementation; we also note that taxes in areas without municipal organization will continue to be levied by the school boards and the Province.

Most who commented on this Proposal did not clearly perceive that it is only the assessment provisions in the referred statutes which should now be replaced and not the taxing provisions themselves, although rates of tax would require review. It appears to us logical that all property assessment be conducted under a revised assessment act. We would also agree that all property in the Province (except that mentioned in the first category under Proposal 7), should be made to contribute in defraying education costs. There is uncertainty in our minds as to the reasonable application of this principle in unorganized areas where unique circumstances prevail. Quite possibly, a unique approach would therefore be in order, consistent with the requirements of practical implementation and fairness. However, we would emphasize that this should not operate so as to result over time and with changing views more jaundiced than now, in a perception of a significant revenue opportunity. Were this to result, inequity rather than fairness would creep in to fix itself upon isolated logging and other resource operations and upon those who eke out a subsistence in these circumstances without the availability of advantages which generally prevail elsewhere.

We therefore suggest that a contribution for school purposes be levied, as well as for the purposes of the statutes mentioned earlier, subject to these cautionary remarks. Accordingly, we recommend:

III.13:R1 That the provisions of The Assessment Act apply to the assessment of all real property in Ontario, including areas without municipal organization.

Summary of Recommendations

III.13:R1 That the provisions of The Assessment Act apply to the assessment of all real property in Ontario, including areas without municipal organization.

14. Grant Supported Bodies

Public bodies which receive provincial grants, such as school boards, will be allowed to include their property tax payments as allowable expenses for grant purposes.

Examples quoted are public bodies such as boards of education, conservation authorities, hospitals and universities. It is further stated that because grants may not be 100 percent of the budget of such public bodies, there may be a net increase in the costs to be raised from other sources.

There were strenuous objections voiced in submissions and during appearances of those representing public bodies. It was argued that in many cases this would be the first time a property tax would be included as a new expenditure factor in the budget of such a public body, or in any event, that there would be a significant escalation in that factor where it existed before. It was therefore concluded that support should be 100 percent in all circumstances. If not, exemption from tax should continue to apply where it now exists.

We cannot agree that exemption is a solution, for reasons explained earlier. The subsidy implicit in an exemption bears upon all in the local community to the benefit of those who mostly originate from without and we have found that the resulting unfairness is sometimes of startling proportions.

We have come to the conclusion that the perspective employed and the reasoning displayed in these submissions is erroneous, for reasons expounded throughout this Report. Since we believe that the property tax is in fact an item that should be properly included in the operating budget of such facilities, in the same manner as other costs necessary to the operation of such facilities (i.e. light, heat, water, maintenance, salaries, etc.), then the nature and origin of a property tax dollar has no more bearing on the question than the nature and the origin of any other expenditure dollar arising from the operations involved. What matters is all dollars in a budget, not just some. We fail to see why property tax expenses should in all circumstances attract 100 percent grant support when equally essential dollars of any other nature would not.

We alluded in Proposal 2 to student residences which by definition would be taxed on 50 percent of market value, as they represent residential property. We do not conclude that such residences and the attendant taxes should be considered as part of Proposal 14. If taxes on such

residences were to form part of grant supported expenditures, then an unfairness would result when compared to the residential costs of students who live elsewhere. This is not acceptable.

We would refer to our Recommendations in respect of private schools, as outlined under Proposal 7. We note that private schools, in contrast with universities for example, are by definition not grant supported bodies for the purpose of Proposal 14 and since they are not, the foregoing observations have no force whatever in respect of private schools.

We note however, that the implementation of this Proposal could result in unfairness in that existing grant ceilings were established absent a property tax expenditure; and it follows that such ceilings should be revised in recognition of the introduction of property tax as a new budgetary expenditure. Accordingly, we recommend:¹

III.14:R1 That public bodies which receive provincial grants, such as school boards, be allowed to include their property tax payments as allowable expenses for grant purposes, and that existing grant ceilings be revised so as to ensure that the property tax outlay of grant supported bodies attract the same grant support as do other grant supported expenditures.

Summary of Recommendations

III.14-R1 That public bodies which receive provincial grants, such as school boards, be allowed to include their property tax payments as allowable expenses for grant purposes, and that existing grant ceilings be revised so as to ensure that the property tax outlay of grant supported bodies attract the same grant support as do other grant supported expenditures.

15. Property Tax Credit

Ontario's property tax credits which relate property taxes to the ability to pay will, if necessary, be strengthened upon implementation of the new system.

Throughout this Report, a number of references were made to this Proposal. As we stated earlier, there is no doubt that past unfairness should be corrected and we believe that our Recommendations, when taken together, will accomplish that objective. And while there will be in some instances significant increases as well as decreases in the property tax as experienced heretofore, the amount of such changes may be seen as indicative of the degree of unfairness which now exists.

We would refer to our perception that two factors are essential

¹Both Smith (Smith, op. cit., p. 156) and White (White, op. cit., pp. 60-61) concur with this Recommendation.

to life and society: food and shelter. It is to the latter that our discussion seeks to respond. We would bring to mind our earlier observation that the property tax, if it is regressive, has that characteristic only in respect of lower incomes. In this context, it was stated that the problem does not arise from age or any other personal distinction, but from a lack of income only. Yet we believe that none should escape an awareness of the cost of the environment in which they live, and no matter how little should be applied to this end, all should contribute in some measure. It also follows from our view of "shelter" that we fully agree with the oft-stated slogan, that "none should lose their home as a result of the property tax". This latter observation is today given effect in a variety of ways. There is the existing, income-related property tax credit mechanism which recognizes the cost of occupancy.¹ There is The Municipal and School Tax Credit Assistance Act, which provides that for owners over 65 years of age, half of the property tax may be deferred up to an amount of \$150 in a year, in return for a lien on the property. There is The Municipal Elderly Resident's Assistance Act, under which municipalities may pass a by-law to grant assistance to residential property owners over 65 years of age. There is an additional \$110 Pensioner Tax Credit, which operates in combination with the Ontario Property Tax Credit and the Ontario Sales Tax Credit. Finally, there is the additional Old Age Exemption granted by way of the federal Income Tax Act and which operates to Ontario income taxation as well.

It would seem to us that there is a veritable fiscal smorgasbord of measures which all seek to respond to a common problem. We do not believe that effectiveness can be demonstrated to increase with proliferation.

A number of submissions suggested to us that the burden of shelter costs could be significantly relieved if the property tax were to be allowed as a deduction from income for income tax purposes. It is clear of course that such a suggestion would require amendment of the federal Income Tax Act and is therefore beyond our scope. Nevertheless, we feel obliged to register our disagreement with this approach, because the emphasis of the relief would be placed on those who, by virtue of present ownership, have demonstrated in most instances they do not require such relief. It would be a subsidy at the cost of those who do not yet own, to the benefit of those who do. Furthermore, because the income tax is levied by way of progressively higher rates, a deduction of this nature would introduce regressivity where it does not now seem to exist. An example will illustrate. A well-to-do homeowner owns a house which attracts a property tax of \$900 and enjoys an income which is taxed at 50 percent at the margin. Another homeowner has income taxed marginally at 33 percent and suffers a more modest property tax bill

¹Narrowly defined for this purpose as property tax related. In fact, occupancy has a great many more costs than property taxes. One is often led to wonder which one of these would bring the bailiff! Note also our discussion on the subject of budgets under Proposal 14.

of \$750. Table 11 illustrates the effect of a deduction in these circumstances:

Effect of Allowing Property Tax as a
Deduction for Income Tax Purposes

Table 11

	Marginal Income Tax Rate	
	50%	33%
Amount of property tax	\$900	\$750
Less: reduction of income tax	450	250
Net, after tax, out of pocket cost of the property tax	\$450	\$500

It is apparent that the homeowner at a marginal tax rate of 50 percent pays less, even though both his property tax bill and his income are higher. This is illogical and therefore unacceptable.

We stressed earlier and in a different context, that while there is a limit to what people should be asked to bear, provincial coffers also do not lack a bottom and that there is a limit to resources which can be brought to the support of any purpose, including this purpose. Accordingly, we believe that if resources are used for purposes of relief, then such resources should be delivered with the greatest impact, where there is the greatest need and with the least possible loss because of administrative cost or unintended application. We are not persuaded that age is a quality which, though typified by dignity and deserving of respect, is always indicative of lack of income. It is lack of income to which we look. We mentioned The Municipal and School Tax Credit Assistance Act. We have found that this measure, well intended though it may be, is ineffective principally because those who would benefit are repulsed by the welfare connotation implied, or because they (or their heirs) shy away from the resulting lien. This measure does not appear to be effective and the resources which the Province is prepared to commit under this programme should instead be devoted to a more effective means of delivery. We also disagree with the philosophy expressed by the very essence of this statute, as it somehow implies that responsibility for local costs and age are mutually exclusive. Accordingly, we recommend:

III.15:R1 That The Municipal and School Tax Credit Assistance Act be replaced by a more effective measure.

We gave consideration to The Municipal Elderly Resident's Assistance Act, but note that this statute operates at a municipal level and we maintain here as we did elsewhere, that local criteria should continue to govern, consistent with the concept of local autonomy. For this reason, we do not propose to interfere with the capacity of a municipality to make grants to whatever purpose it sees fit and as permitted by existing legislation to this end.

We also had reference to the additional Old Age Exemption allowed under the federal Income Tax Act and which provides for a reduction of otherwise taxable income by an amount of \$1,310 in 1976. We recognize that this federal measure is ultra vires to Ontario, but it has a bearing for the purpose of this discussion.

We considered that the Ontario Sales Tax Credit, while having some relation to this topic, sought to address itself to the relationship between the capacity to earn income and the capacity to consume rather than wealth in the form of real property, and accordingly we make no comment.

Finally, for reasons we have already outlined, we recommend:

III.15:R2 That the Ontario Pensioner Tax Credit be replaced by a more effective measure.

If income is to be the criterion of need and if support is to be as effective as possible, it is necessary to examine how that income should be determined and it is obvious that the only ready means at hand is the individual income tax return, which is now also used for this purpose. While this return is a convenient mechanism, it must be recognized that it is also expressive of an entirely different aspect of the overall fiscal system, namely the capacity to earn income. It is further apparent that other, socially oriented policies are built into this return and in contrast with the property tax which we believe should never be used for such purposes, the income tax lends itself well to this end. We do not believe that the aims of the income tax should be confused with the aims of the property tax as both have their own place in the fiscal structure. We therefore do not accept that incentives for one purpose should obscure the needs of another.

Heretofore, the income measure used for purposes of the Ontario Property Tax Credit has been “Taxable Income”. This measures not only “Total Income” but for income tax purposes, “Total Income” is then reduced by contributions to pension plans (to encourage saving for retirement), unemployment insurance premiums (in support of the social requirement of income maintenance in employment adversity), contributions to registered retirement savings plans (again, to encourage saving for retirement), contributions to a registered home ownership savings plan, annual union and professional dues, tuition fees, child care expenses and “other deductions”. Each of these deductions supports in one connotation or another, social policy and none relates to the capacity to pay a property tax. Further reductions are then brought to bear by way of claims for personal exemptions, deductions for medical expenses, charitable donations, interest and dividend income deduction, pension income deduction, disability deduction, education deduction, deductions transferred from a spouse, gifts to Canada or a province, non-capital losses of other years, and capital losses of other years. At this point, “Taxable Income” is established. Finally, there is left the

one expenditure that must be made, is far from discretionary and for which no alleviation is available: the income tax itself.

It is our view that the foregoing litany of deductions is in all but few cases, irrelevant to the measure of income for our purposes. "Taxable Income" per se cannot serve to attain the better focus on need which we require and we therefore gave consideration to a definition of the income measure to be used. It occurred to us that if "Total Income" is a measure of financial discretion and therefore indicative of the capacity to pay the property tax, it should be reduced by its non-discretionary companion: the income tax itself. The remaining amount it seemed, would be a superior indication of ability-to-pay in this context. We then further considered that if we are to place greatest focus on greatest need, the assistance provided should progressively increase as income decreases. We compared a single individual with only his individual personal exemption, with another individual at the same total income level who is married with children and whose personal exemptions would be greater and income tax lower. The need of the latter would be greater than the need of the former, yet a deduction of the income tax from total income would leave a discretionary income which would indicate the opposite. We therefore rejected this approach.

We then considered that instead, "Total Income" should be reduced by Total Personal Exemptions only and that this would then give the desired effect. We believe that it does, in that it tends to recognize a related factor. For example, a single person in many instances may be satisfied with a single room in a rooming house, while a husband and wife with dependent children cannot. And while it is true that a single person may occupy opulent premises, the related income needed to support such personal predilection would automatically exclude support. Furthermore, personal exemptions are also indicative of the relatively greater need of another essential to life: food. We therefore concluded that "Total Income", reduced by Total Personal Exemptions, should be used as the measure indicative of need of support.

We recognize in this that there is an inherent contradiction in earlier reasoning, in that Total Personal Exemptions include the Old Age Exemption. We are also influenced by the constraints upon us, in that perfection in the measure required can only be accomplished with increased complexity and a proportionate diminishing of the likelihood of practical implementation. We also considered how we could come to grips with two income earners in one household. We could not.¹ On balance, we believe however that neither of these imperfections interfered with our aim: to devise a better standard on which to judge ability to pay the property tax. Accordingly, we recommend:

III.15:R3 That "Taxable Income" not be used for the purpose of the

¹In this context, we were led to contemplate on the merits of a proposal advanced by "The Carter Report" (Carter, op. cit.): income taxation based on all of the income of a family unit.

Ontario Property Tax Credit; and that instead, “Total Income less Total Personal Exemptions” be used for this purpose.

We note that this accommodates the need for simplicity. At the hand of the 1976 Individual Income Tax Return, an illustration would be as follows:

Total Income (line 24)	\$	xxx
Less Total Personal Exemptions (line 44)		xxx
Income for Property Tax Credit Purposes	\$	xxx

We observed earlier that we believe all should contribute, no matter how modestly. Data available to us also indicated that on average, property taxes rise in proportion to increases in income. (This does not seem to be true at lower income levels, as noted earlier.) We consider that a minimum of 10 percent of the property tax should be met by the residential property owner or tenant in all circumstances and concluded that the necessary support should be confined to the remaining 90 percent. For purposes of the existing Ontario Property Tax Credit, as it applied to tenants, the definition of total “occupancy cost” is 20 percent of rental payments in a year. In earlier discussions we mentioned that reassessment at market value will result in sometimes sizeable reductions of property tax on multiple residential property for rent. As explained, this is a direct consequence of market value assessment and past assessment practices. As a result, the relationship of the property tax to the rent paid will also change significantly and after reviewing test data, we believe that a revision of the “occupancy cost” definition to 10 percent of total rent paid in a year, is now appropriate. Accordingly, we recommend:

III.15:R4 That support by means of the Ontario Property Tax Credit be confined to 90 percent of the property tax related to an owner-occupant of residential real property; or to 90 percent of 10 percent of the total rent paid in a year by a tenant of residential real property.

Upon reviewing the existing Ontario Tax Credit System, we note that the three elements (occupancy cost, sales tax and pensioners) are together subject to a maximum of \$500 in support assistance. We believe that this maximum would seriously interfere with our objective of delivering effective support for shelter as indicated by need.¹ We are assured that the removal of this limitation would have but a negligible impact on the total cost of the Ontario Tax Credit System. Accordingly, we recommend:

III.15:R5 That the existing maximum of \$500 in respect of the Ontario Tax Credit System be removed; and that no arbitrary ceiling be established for purposes of an occupancy cost tax credit, other than the one implicit in these Recommendations.

¹We re-emphasize that we do not include the Ontario Sales Tax Credit in this observation, for reasons already mentioned.

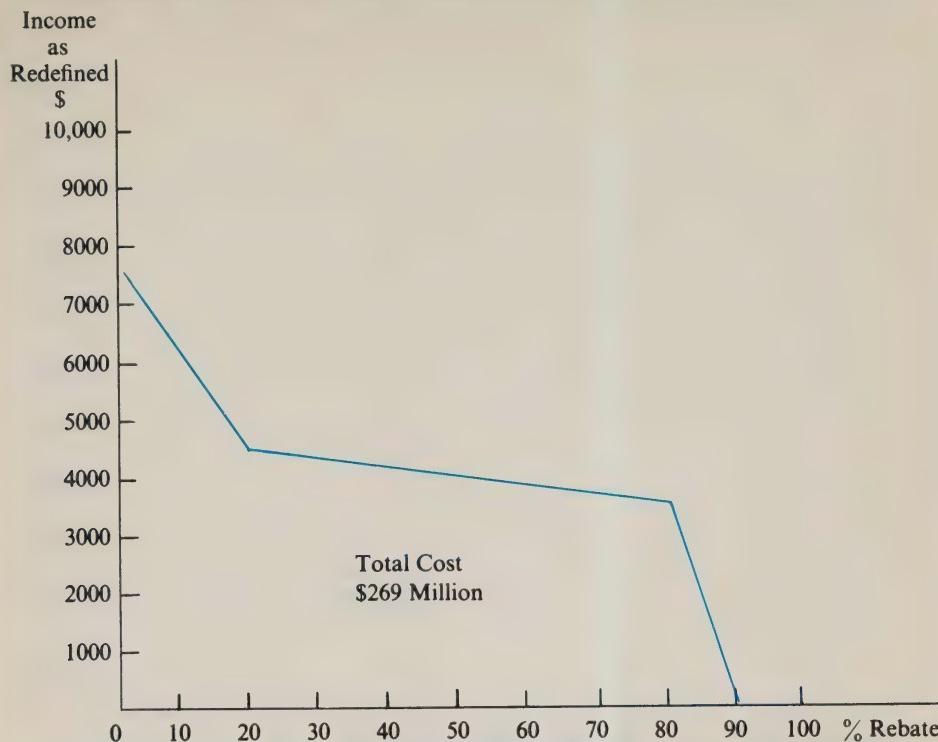
Following this, we considered the need to focus delivery where it is most needed, and we had brought to mind a variety of possible reference points that would aid us in this. One is the maximum one may draw in Unemployment Insurance Assistance. Another was the minimum wage. (We were not able to establish criteria based on welfare support, because of the wide variance between locales and individual family situations.) At the hand of these two, when converted to our purpose by deducting an amount in respect of personal exemptions, we found that the threshold of support need is at approximately \$4,500 per year, that it accelerates very rapidly below that point and decelerates, but less rapidly, at higher incomes. It further became apparent that the property tax appeared to have an almost perfectly proportionate relationship at incomes (as redefined for this purpose) above \$7,500 per year. In the classical case of a taxpayer with a wife who has no income and two dependent children under 16 years of age, this equates to \$12,200 in total annual income. We further considered that the simplest manner of giving effect to our objective is to have tax credit support diminish as income increases by applying a progressive percentage to income brackets for this purpose. We tentatively suggest the following, which we believe to be consistent with all of the foregoing:

Where income as defined is:	then	the effect of support should be:
\$ 0-\$3,500		90%-80% of occupancy cost
3,501- 4,500	80 -20	of occupancy cost
4,501- 7,500	20 - 0	of occupancy cost
7,501 or more		0 of occupancy cost

We attach a graphic illustration in Chart 1 to display visually how the emphasis would be placed. In addition, Table 12 provides a comparison of the present and proposed property tax credit systems. We would also emphasize at this point that we do not propose to comment on the aggregate resources which should be committed by the Province in support of this system; this is a matter of a host of considerations which happily are not ours. We do believe however that no matter what the amount involved may be, greater effect may be had by the method outlined. For purposes of our illustration however, we assumed that the cost to the Province should remain at recent levels. Accordingly, we recommend:

III.15:R6 That for purposes of the Ontario Occupancy Cost Tax Credit, a schedule be included with the individual income tax return, so as to permit a progressively larger amount of support as income for this purpose diminishes.

There is a risk that the approach suggested so far may operate in an unintended manner. Since welfare support is not taxable as income, it is never reflected in the individual income tax return. This would result in a credit of 90 percent of the occupancy cost, as though there were no income. We do not think this to be appropriate. As there is no apparent remedy for this within the mechanics of our suggestions, it



occurs to us that the best means available to overcome this discrepancy lies in the manner in which the required welfare support itself is determined, and accordingly we recommend:

III.15:R7 That welfare support payments be determined after taking account of funds available to a welfare recipient as a result of the Ontario Occupancy Cost Tax Credit.

We believe there to be a particular need for this Recommendation, out of consideration for those commonly referred to as "the working poor".

We are also aware that the Ontario Guaranteed Annual Income System (GAINS) and the federal Guaranteed Income Supplement (GIS) are not reflected as income for tax purposes. For reasons of practicality and because the incidence is negligible for purposes of this discussion, we offer no recommendation.

We mentioned in the course of our discussion of business assessment and the resultant tax under Proposal 5 that further discussion should apply to the increases in business tax which would emanate from the uniform 50 percent business assessment rate. In particular, we had in mind the effect upon retail stores and parking lots, which now have business assessment rates of 30 percent and 25 percent respectively.

Comparison of Present and Proposed Property Tax Credit Systems

Table 12

Gross Income	Taxable Income	Property Tax Income ¹	Average Net Property Taxes as a Percent of Gross Income (present)			Average Net Property Taxes as a Percent of Gross Income (proposed)			Average Net Property Taxes as a Percent of Gross Income (proposed)		
			Average Property Taxes	Average Property Tax Credit (present)	Net Property Taxes (present)	Average Property Tax Credit (present)	Net Property Taxes (present)	Average Net Property Taxes (proposed)	Average Net Property Taxes (proposed)	Average Net Property Taxes (proposed)	Average Net Property Taxes (proposed)
\$ 1,500	\$ 0	\$ 0	\$ 254	\$ 205	\$ 49	\$ 3.3	\$ 229	\$ 25	\$ 25	\$ 25	\$ 1.7
2,500	0	0	269	207	62	2.5	242	27	27	27	1.1
3,500	0	1,000	281	208	73	2.1	245	36	36	36	1.0
4,500	1,750	2,000	336	179	157	3.5	282	54	54	54	1.2
5,500	2,450	2,700	353	166	187	3.4	289	64	64	64	1.2
6,500	3,250	3,500	342	149	193	3.0	274	68	68	68	1.0
7,500	4,120	4,500	359	134	225	3.0	72	287	287	287	3.8
8,500	5,150	5,500	362	113	249	2.9	47	315	315	315	3.7
9,500	6,000	6,300	396	100	296	3.1	32	364	364	364	3.8
11,000	7,100	7,300	448	83	365	3.3	4	444	444	444	4.0
13,500	9,050	10,000	501	49	452	3.3	0	501	501	501	3.7
16,500	11,560	11,560	595	9	586	3.6	0	595	595	595	3.6
19,000	13,400	13,400	650	0	650	3.4	0	650	650	650	3.4
22,500	15,770	15,770	755	0	755	3.4	0	755	755	755	3.4
27,500	19,650	19,650	937	0	937	3.4	0	937	937	937	3.4

¹Property Tax Income is defined as Total Income less Total Personal Exemptions.

We believe that the matter of the business tax should be seen in the light of the foregoing discussion on the Ontario Occupancy Cost Tax Credit.

We are struck by two observations and one query which we believe to be of relevance:

- To an individual residential property owner or occupant, the property tax is a cost which is simply absorbed. There is no capacity to pass it on to anyone. He is the end of the trail.
- To an individual property owner, the property tax is a payment he must meet out of income which has been taxed; each dollar of property tax weighs more heavily than it does in a business.
- If it could be established that a need for treatment similar to the suggested Ontario Occupancy Cost Tax Credit exists, can similar indices of need be determined?

In dealing with the query, we found that the vagaries in determining income and ability-to-pay for this purpose are many. The determination of income itself is very much more complex than in the case of the individual, and very much less certain. Estimates of inventory valuation, capital cost allowances, amortization of leasehold improvements and an endless array of factors which will differ with differing circumstances, will affect income measurement. The matter of the organization of the ownership of the business itself may have a significant impact. A private company may well pay its managing shareholder a salary calculated to control the income level of that company for perfectly valid reasons unconnected with the business tax; there is no practical method by which one could combine the incomes as shown in the two separate tax returns. We therefore conclude that an income tax credit mechanism such as the suggested Ontario Occupancy Cost Tax Credit, could not be used.

What is more salient is an examination in order to establish whether there is a need for a relief mechanism in the first place. We have already alluded to the differences we see as to the impact of the property tax on an individual homeowner or tenant, but the characteristics of the capacity to pass on the property tax, or to have it deductible for income tax purposes, when taken on their own, seem too facile. Not every business has the capacity to pass on cost increases in the same measure as they occur, nor does every business earn money. (The capacity to earn money does not coincide with size, nor does stability. Some very large enterprises lose money; some have gone bankrupt. This is sometimes rather readily overlooked.) Where this is so, then the situation of a business is similar to that of the individual in respect of his residence. We do not believe however that the structure of the business tax itself as recommended should be affected by this.

A further perspective came to us in considering the situation. For purposes of this examination, we obtained test data in respect of

specific business enterprises which displayed the most startling increases that could be identified. It became evident that the increases could not be considered in isolation of the nature of the business itself. We found that invariably and not surprisingly, as capital intensity increases, so does either volume throughput as indicated by the rate of capital turnover, or margins per unit of revenue. The former is an indication of the capacity to pass on an incremental cost with a negligible effect upon unit prices, while the latter is an indication of the capacity to absorb cost increments. We note that we speak only of indications. Acute competition may prevent any price increase. No margin can absorb any cost increase; but the perspective may best be illustrated by an example based only upon the business tax.

We were advised by a Toronto parking lot operator that the business tax, which he felt was already too great when compared on a variety of bases to other businesses, amounted to 5.5 percent of gross revenue. Since the business assessment rate in respect of parking lots doubles, we might assume for this purpose, and overly simplistically, that the business tax would double. Parking rates in Toronto range from about \$2.00 per day to about \$6.00 per day. Since such rates are indicative of the unit price supporting the gross revenue, an additional cost of 5.5 percent would mean increased rates would need to be less than \$2.15 and \$6.35 per day to yield the same margin to the same invested capital. In a practical sense, the rate increases stated in this manner seem hardly startling, although we took no account of a possible resulting loss of the business volume to which these rates would apply. We note that such a loss in volume could mean a related increase in volume to the Toronto Transit Commission: no doubt a praiseworthy result in the eyes of that body.

A similar perspective could be drawn in the same examination of other businesses.

We would refer to our remarks on grant supported bodies under Proposal 14. The discussion of budgets seems to apply here as well. The problems which are faced by the businessman from time to time are much broader than a property tax dollar, a depreciation dollar or a wage dollar: as was observed before, none weighs intrinsically heavier or lighter than another. Of far greater impact is the overall economic environment in which the businessman seeks to be successful. For example, the tourist industry in this Province has no doubt been severely affected by such factors as the oil price increase, minimum wage legislation, and a general aura of uncertainty which seems to have affected the consumer's willingness to part as readily with his disposable income as he once did. We would also note that in some cases another effect is evident. When business success is demonstrated by some and there is a visible measure of fortune as a result, there develops on occasion a rush to invest of Klondike proportions. Such over-investment will tend to operate to the loss of those who hasten to be there, and to the

disadvantage of those who are already there. The resulting disillusionment and dismay does not always indicate a justification for public subsidy.

Furthermore, a review of the test data indicated that a great many retail businesses in a great many municipalities would actually enjoy not only a considerable decrease in the real property tax itself, but also a decrease in the business tax, despite the increase in the rate from 30 percent to 50 percent. As was explained in the related discussion under Proposal 5, this is not really surprising: it is a direct result of a shift in assessment values between real property classes. The difficulty one faces for purposes of this discussion in connection with Proposal 15 is this: if shelter and food are the only criteria to be used for separate treatment, how could one reconcile this with a recommendation to extend property tax relief to some business in a class whose taxes increase, and not to others in that class whose taxes decrease? We also had to bear in mind the obvious: a decrease in property-related taxes is not an indication of business health by any means and it should be remembered that such shifts in taxes as between properties within a class are in fact a demonstration of the correction in a longstanding inequity.

In summary, we conclude that the property tax, including the business tax, is not the tool that should be used to relieve the problems faced by the businessman. The property tax is simply not a panacea. Possible relief, if experience indicates it is in fact required, must be based upon a different frame of reference and judgment factors, not the least of which is political courage.

Summary of Recommendations

- III.15:R1 That The Municipal and School Tax Credit Assistance Act be replaced by a more effective measure.**
- III.15:R2 That the Ontario Pensioner Tax Credit be replaced by a more effective measure.**
- III.15:R3 That “Taxable Income” not be used for the purpose of the Ontario Property Tax Credit; and that instead, “Total Income less Total Personal Exemptions” be used for this purpose.**
- III.15:R4 That support by means of the Ontario Property Tax Credit be confined to 90 percent of the property tax related to an owner-occupant of residential real property; or to 90 percent of 10 percent of the total rent paid in a year by a tenant of residential real property.**
- III.15:R5 That the existing maximum of \$500 in respect of the Ontario Tax Credit System be removed; and that no arbitrary ceiling be established for purposes of an occupancy cost tax credit, other than the one implicit in these Recommendations.**

III.15:R6 That for purposes of the Ontario Occupancy Cost Tax Credit, a schedule be included with the individual income tax return, so as to permit a progressively larger amount of support as income for this purpose diminishes.

III.15:R7 That welfare support payments be determined after taking account of funds available to a welfare recipient as a result of the Ontario Occupancy Cost Tax Credit.

Chapter IV

Implementation

In preparation for a change to market value as the base for assessing real property in Ontario, the Province took over the assessment function on January 1, 1970. Since that date, province-wide reassessment at market value was scheduled for 1974, then postponed until 1976 and postponed once more to 1977.

These postponements must, we believe, have a seriously detrimental effect on the morale of assessors. As was stated in our remarks on Assessment, the professional competence he brings to bear in a dispassionate approach to his task is all-important to the proper operation of a property tax system. It must be realized that the Government must now keep assessment values up to date simultaneously for two assessment systems; the current one and market value. When seen in the light of some 3.5 million assessable properties, this is a mammoth task indeed. Market value data, as of 1975, on every property in the Province will be available for use in 1977 assessment rolls and therefore for tax application in 1978. A further postponement would obviously render the 1975 data of little value and much of the effort expended would have been in vain. Furthermore, we have become aware that the pressures upon the existing system have now become so great in the larger cities that there is good reason to doubt that the current situation can be maintained very much longer. We therefore believe it to be essential that implementation of the new system commence forthwith, and accordingly we recommend:

IV:R1 That a revised property tax system based on 1975 market value assessment be implemented in 1977 for application in 1978.

We are aware that the Province indicated that there would be opportunity for further input after our Report is submitted and before legislation is brought forth. We fear that the timespan required may make implementation in 1978 difficult (though not impossible), and accordingly we recommend:

IV:R2 That 1975 market values be shown on the 1977 assessment notices even in the event of a further postponement in the implementation of tax reform.

This would at least allow an owner of real property to form some idea of what his taxable assessment might be upon eventual implementation.

Some have suggested that there should be piecemeal implementation of the reform measures. We believe this to be entirely inappropriate, in that the combined effect of the Recommendations made is such as to overcome what otherwise would most certainly be large distortions of a different order than now prevail, and distortions should be eliminated rather than supplanted. Phasing-in of the tax effects in order to accommodate a gradual correction is most desirable in our view, as expressed in the discussion pertaining to Proposal 8. Phasing-in the Recommendations themselves will merely extend this process unduly. It does not of itself correct distortions and it creates additional distortions. This is most undesirable in our view. Accordingly, we recommend:

IV:R3 That a phasing-in of the new tax system be a phasing-in of the effects on taxes and not a phasing-in of the tax reform measures themselves.

As was observed elsewhere, there is some concern especially in rural areas that the mechanics of phasing-in tax changes will be burdensome. It was pointed out to us that the clerk-treasurer in such a setting is normally burdened with numerous responsibilities. He may have difficulty in handling the additional workload. With this type of situation in mind, we recommend:

IV:R4 That the Government provide technical support where required in order to assist in the effective implementation of the tax reform measures.

An area of special concern related to a possible consequence of the application of market value itself was brought to our attention. In most cases, present assessment values will be but a fraction of market value. When 1975 market values are reflected in the assessment of real property, aggregate assessment values will rise in many cases by multiples of 10 or more. As we pointed out in Chapter I there should be a proportionate drop in the mill rate. In such circumstances, a prevailing mill rate of 200 could easily change to less than 20. An illustration of this is shown in Table 13.

Comparison of Mill Rates Under Present and Proposed Systems

Table 13

	Present System	Proposed System
Budget requirements	\$ 40,000,000	\$ 40,000,000
Assessment	\$200,000,000	\$2,000,000,000
Mill rate	200	20

Municipal officials, accustomed to dealing with mill rates expressed in hundreds and having been subject to increasing pressure to hold the mill rate within reasonable bounds, might react with a sigh of relief to the observation that 20 seems so much less than 200. Temptation might well go hand-in-hand with such relief: the new firetruck and the new

municipal swimming pool might suddenly seem more feasible if they require only one additional mill.

It should be clearly understood that one additional mill on the new assessment base will increase taxes by \$2 million and that this would have required an increase of 10 mills on the current assessment base. We do not believe that municipalities generally would be so naive as to proceed along these lines, but their constituents have indicated to us their suspicions and concerns. Accordingly, we recommend:

IV:R5 That the Government apply expenditure guidelines to all local bodies in order to ensure that changes in assessment and the tax reform measures not be used as camouflage to hide extraordinary increases in local spending, and that ratepayers be informed of such guidelines in a meaningful fashion.

We noted that there now is legislation permitting a municipality to forward to each ratepayer a tax bill for municipal purposes and a separate tax bill for school board purposes. We have searched for reasons in support of such a costly measure and have concluded that such reasons appear to be based on somewhat elusive political grounds rather than with any reference to the interest of ratepayers. We cannot agree that such grounds contain sufficient substance on which any additional costs may be defended, and accordingly we recommend:

IV:R6 That legislation permitting a municipality to forward to each ratepayer a separate tax bill for municipal and school board purposes, be rescinded.

Summary of Recommendations

- IV:R1 That a revised property tax system based on 1975 market value assessment be implemented in 1977 for application in 1978.**
- IV:R2 That 1975 market values be shown on the 1977 assessment notices even in the event of a further postponement in the implementation of tax reform.**
- IV:R3 That a phasing-in of the new tax system be a phasing-in of the effects on taxes and not a phasing-in of the tax reform measures themselves.**
- IV:R4 That the Government provide technical support where required in order to assist in the effective implementation of the tax reform measures.**
- IV:R5 That the Government apply expenditure guidelines to all local bodies in order to ensure that changes in assessment and the tax reform measures not be used as camouflage to hide extraordinary increases in local spending, and that ratepayers be informed of such guidelines in a meaningful fashion.**

IV:R6 That legislation permitting a municipality to forward to each ratepayer a separate tax bill for municipal and school board purposes, be rescinded.

This last Recommendation brings us to the end of a task during which we held 51 public meetings at 30 locations throughout the Province and considered 2,400 briefs, submissions and letters. The Commission members themselves constituted a very diverse group, both in terms of background and the area from which they hail. Yet all of us share one overriding conclusion with firm conviction: reform of the property tax system has now become essential.

We are dismayed that the Government's Proposals were received in many quarters with skepticism and suspicion. While it is common to human nature to resist change, this characteristic is also evidence of a yearning for leadership when change is needed as badly as it is in this case. We believe it is no longer possible to sustain the largest single source of public financing upon a base so riddled with discrepancies and unfairness.

We pointed earlier to a series of postponements in province-wide reassessment. Since 1974, there has built up a crescendo which now reaches its climax with the Government's Proposals, this Report and hopefully, legislation. Based upon all of the impressions we have gathered, we have formed the view that if the momentum for reform is now lost, it will not likely be regenerated for many years to come. It is therefore our earnest hope that the Government will now proceed, and that this matter so essential to the public interest not be subjected to narrow political considerations. Let there be reform, and let there be the leadership from all sides necessary to bring it about.

Chapter V

Summary of Principles and Recommendations

Summary of Principles Chapter I Overview for Reform

- I:P1** That all real property be assessed at market value.
- I:P2** That real property liable to assessment include land and any building or other structure on it including only such machinery and equipment as is a part of such a building or structure and is used or required primarily for the functional operation of the building or structure or to make it more habitable, and include those foundations as are used in the support of the building or structure only.
- I:P3** That the present practice of levying different mill rates on residential and commercial properties be discontinued, and instead a uniform mill rate be employed.
- I:P4** That similar property used for similar purposes be treated in the same manner, irrespective of the status of the owner or its location.

Summary of Recommendations Chapter I Overview for Reform

- I:R1** That real property liable to assessment include land and any building or other structure on it including only such machinery and equipment as is a part of such a building or structure and is used or required primarily for the functional operation of the building or structure or to make it more habitable, and include those foundations as are used in the support of the building or structure only.

Chapter II Assessment

- II:R1** That the 1977 assessment notices state that the assessed value is 1975 market value.
- II:R2** That Section 90 of The Assessment Act be repealed.
- II:R3** That the Government conduct "open house" sessions in the course of 1977 so that the public may be better informed as to the impact of market value assessment and tax reform measures as they will apply when implemented.
- II:R4** That Assessment Review Courts extend their hearings to some evenings.

Chapter III

A Proposed Property Tax System

1. Taxes on Residences

- III.1:R1** That residential property together with a reasonable amount of land be subject to taxable assessment at 50 percent of its market value.
- III.1:R2** That the appropriateness of the residential market value percentage be reviewed by means of monitoring the real estate market, and that if necessary this percentage be revised each two years, coinciding with the return of assessment rolls (see Proposal 9).
- III.1:R3** That necessary revisions in this percentage be made in increments of no less than 5 percentage points.
- III.1:R4** That, where taxes change as a consequence of tax reform, legislation be enacted to provide that notwithstanding existing contractual obligations, an owner may increase rental charges in the amount of such an increase in taxes, while a tenant may claim from the owner any such decrease in taxes; and that this provision operate during the term of any existing lease or for a period of five years, whichever is the shorter.
- III.1:R5** That mobile homes which qualify as real property and a reasonable amount of land be subject to a taxable assessment at 50 percent of their market value as are all other residences, and that those which would not meet the real property test, be subject to a licence fee of up to \$20 per month, regardless of location; and that the aggregate yield of such licence fees then be distributed to each of the bodies entitled to share therein, in the same proportion as they would have shared had the mobile home been taxable residential property.

2. Residential Property Redefined

III.2:R1 That the practical consideration of what constitutes a reasonable amount of land to be included in the residential class in each instance be judged on the individual circumstances.

III.2:R2 That existing legislation, empowering municipalities to enter into fixed assessment agreements with golf courses be rescinded and be replaced with legislation which will permit the owner of such recreational property as described, to apply to the local municipal council for a deferment of up to 50 percent of the total property tax (other than local improvement charges) applicable to the relevant land only; and that the deferred taxes be accumulated on the books of the municipality, together with simple interest thereon at the weighted average annual bank prime lending rate, to be recoverable upon the sale of that land for purposes other than its current use or upon its conversion to other uses.

III.2:R3 That Section 38(2) of The Assessment Act be rescinded, and that railway rights-of-way be assessed at a market value related to the characteristics of such property.

III.2:R4 That all real property owned by a railway, including railway buildings and other similar structures, but not including bridges, be assessed at and taxed on 100 percent of its market value.

III.2:R5 That property owned by lodges and associations such as described, be assessed at and taxed on 100 percent of its market value.

III.2:R6 That permissive legislation, which allows for favoured tax treatment of property owned by the Navy League, and the Canadian Legion, and other veterans' associations be withdrawn, and that such property be assessed at and taxed on 100 percent of market value.

III.2:R7 That rates applied per foot of length of pipeline be reviewed and revised each two years, coinciding with the return of assessment rolls, so that these rates may reflect the relative change in the market value of other real property.

III.2:R8 That all real property owned by a conservation authority be assessed at and taxed on 100 percent of market value except where such property is residential property as defined, in which case the taxable assessment is to be 50 percent of market value at inception, and except that where such property is farmland or a managed forest, it be treated in accordance with our Recommendations as outlined under Proposal 4.

III.2:R9 That such part of a home for the aged or a nursing home as is used for residential purposes together with a reasonable amount

of land, carry a taxable assessment at 50 percent of its market value, while such part as is used for administrative purposes, carry a taxable assessment at 100 percent of its market value.

3. Mill Rates

III.3:R1 That the present practice of levying different mill rates on residential and commercial properties be discontinued.

4. Farms and Managed Forests

III.4:R1 That farmland, together with farm buildings be assessed at 100 percent of market value, and that the farmer pay 10 percent of the resulting property tax, while the remaining 90 percent be paid by the Province.

III.4:R2 That legislation be enacted to provide for a surcharge payable by the owner of farmland who converts its use to purposes other than farming, and that the surcharge be calculated as the property taxes paid by the Province during the 10 years preceding such change in use, together with simple interest thereon at the weighted average annual bank prime lending rate.

III.4:R3 That for purposes of the Recommendations in respect of farmland and the farm buildings thereon, assessable farm real property be defined as such land and buildings as are being used as part of a farm operation that produces farm products valued at not less than \$2,000 in a normal productive year.

III.4:R4 That the Recommendations made in respect of farmland and farm buildings be made to apply to managed forests, and that a managed forest be defined employing the criteria now in use for purposes of the Managed Forest Tax Reduction Program.

III.4:R5 That where farmland ceases to be farmed in the event of the death of a farmer or spouse and the survivor continues to reside on the property, the lack of use of the farm as a farm shall not constitute a change of use. Similarly, where a farmer retires from farming due to age or infirmity but continues to reside on the farm, lack of use shall not constitute change of use.

III.4:R6 That a farm residence, together with a reasonable amount of land, be taxed on 50 percent of market value, and that the tax be paid by the owner.

III.4:R7 That the municipality, upon application by the farmer, submit to him for payment the billing for property taxes in respect of 90 percent of the farmland and the farm buildings thereon, and which in the absence of such an application would have been submitted to the Province for payment.

5. Business Assessment

- III.5:R1** That there continue to be a business assessment; and that the business tax be levied upon the occupant of real property who conducts therein an activity with a view to profit as defined; and that the business assessment be computed at a percentage of the market value of that real property.
- III.5:R2** That the Provincial Government explore the feasibility of amending existing statutes so as to grant preferred creditor status to municipalities in respect of a default in the payment of business taxes, but that the business tax not constitute a lien upon real property.
- III.5:R3** That the business assessment apply to that part of the real property that is actually occupied for the conduct of the business and a reasonable amount of land required for that purpose; and that the business assessment not apply to land in excess of this requirement.
- III.5:R4** That the business tax apply even though the business may be conducted in real property which is exempt from real property assessment or taxation.
- III.5:R5** That no exemption from business tax apply by reason of service or sale to a clientele restricted by a stipulation of membership, or any other stipulation.
- III.5:R6** That the business tax not be applied with respect to government administrative facilities, but that it be applied to such organizations as have the character of a business.
- III.5:R7** That a single business assessment rate at 50 percent be applied to the market value of real property as described in our discussion under Proposal 5, and that Section 7 of The Assessment Act be revised accordingly.
- III.5:R8** That, as in the case of rental residential property, legislation be enacted by which a landlord may pass to a tenant a real property tax increase resulting from property tax reform, and by which a tenant may claim from a landlord a real property tax decrease resulting from property tax reform; and that these operate regardless of existing contractual obligations; and that these rights be limited to the unexpired time period of an existing lease contract, or five years, whichever is the shorter.

6. Public Property

- III.6:R1** That all public property be subject to payments in lieu of taxes in the manner suggested in this Report, and that a business tax apply to public utilities and government businesses.

III.6:R2 That there be a provision limiting provincial payments in lieu of taxes to a specified part of the local tax levy (excepting local improvement charges), and that a similar limitation be provided in respect of payments in lieu of taxes made by the Federal Government.

III.6:R3 That the Provincial Government examine the incidence of disproportionate costs arising out of operations conducted on unpatented land and make separate provision in the grant structure to alleviate the pressure on ratepayers in these circumstances.

7. Exempt Property

III.7:R1 That such real property as is actually used as a place of worship, together with only such land as is essential to that purpose, be exempted from taxation; and that convents and religious seminaries, together with such land as is necessary to their operation, including land for the production of food consumed in such a convent or seminary and is contiguous thereto, be exempted from taxation.

III.7:R2 That legislation be enacted to permit a municipality to impose, at its option, a user fee upon a church, a convent or a religious seminary, in respect of direct municipal services rendered to such a body.

III.7:R3 That cemeteries continue to be exempt from taxation.

III.7:R4 That assessment values of places of worship, convents and religious seminaries together with the related land, and of cemeteries, not be added to total assessment values for grant distribution purposes.

III.7:R5 That land held in trust for a body or band of Indians be exempt from assessment to tax.

III.7:R6 That exemptions not be partial, but be in respect of all property taxes for whatever purpose.

III.7:R7 That exemption from taxation in certain circumstances continue to apply to charitable and non-profit organizations as evidenced by the nature of their activities; and that such exemptions remain in effect for a period of up to, but not exceeding, five years.

III.7:R8 That an Exemption Review Committee be established, on which shall serve a representative of each of a municipal council, a public school board, a separate school board, a county or a regional government as the case may be, and as have an interest in the taxation of the real property in respect of which an exemption is requested.

- III.7:R9** That the decision of the Exemption Review Committee be determined by a majority vote, and that in the event of a tie, the chairman must break that tie.
- III.7:R10** That the decision of the Exemption Review Committee not be subject to appeal by the requesting organization, nor by such municipality, public school board, separate school board or upper tier body as may have participated in that decision.
- III.7:R11** That the assessment at market value of the real property exempted from tax by the Exemption Review Committee, continue to be included with taxable assessment for grant purposes.
- III.7:R12** That a municipality may continue to make such grants as are currently permitted, and that such grants not bear upon any other local body or school board.
- III.7:R13** That tax exemptions of real property such as now exist, be continued throughout the year immediately following the implementation of property tax reform, and that where assessment related to such real property is not now included for grant purposes, it not be included during the course of that year.
- III.7:R14** That the aggregate annual cost, as measured by the tax foregone for all purposes in respect of such exempted real property as is owned by charitable and non-profit organizations, be provided to each affected ratepayer.
- III.7:R15** That all statutory exemptions of the property tax be repealed, except those referred to in Recommendations III.7:R1, III.7:R3, and III.7:R5, but including those arising from private members' bills; and that in future, a private bill or a private member's bill seeking an exemption from property taxes, not be enacted.
- III.7:R16** That exemptions from property tax, heretofore extended to private schools be removed; and that the real property owned by private schools carry a taxable assessment at 100 percent of its market value; and that where such property is residential property it carry a taxable assessment at 50 percent of its market value.
- III.7:R17** That the Provincial Government, upon implementation of property tax reform, pay grants to private schools in the precise amount of the property tax paid by such private schools.
- III.7:R18** That the Provincial Government keep account of all such payments to private schools, and that the Government reclaim a maximum of 10 years' payments, together with simple interest thereon at the weighted average annual bank prime lending

rate, in the event of a sale of the relevant real property of such a private school, except where all of the net proceeds of such a sale are used for education purposes in the Province of Ontario.

- III.7:R19 That in the alternative, exemption from a tax on real property continue to apply in respect of real property owned by a private school; and that the assessment at 100 percent of the market value of such real property be included in the assessment for grant purposes; and that the Government pay a grant to an affected local government in the amount of the tax it has foregone perforce of the exemptions; and that such a grant be paid in addition to grants which would otherwise apply.

8. Phasing-In Tax Reform

- III.8:R1 That a uniform method of phasing-in the new tax system over a period of up to five years be available to prevent abrupt tax changes.

9. Return of Assessment Rolls

- III.9:R1 That assessment rolls be returned and enumeration be performed every two years to coincide with local government elections.
- III.9:R2 That the annual right of appeal be maintained and that taxpayers be advised in the off-year of this right by means of notices published in local newspapers, setting out the dates in which an appeal may be lodged.
- III.9:R3 That continuous updating of assessment information take place, including updating in respect of changes in the designation of school support.
- III.9:R4 That an updated roll be forwarded in each off-year to all local bodies.

10. Government Property School Support

- III.10:R1 That assessment of all government property be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences; and that the pooling of taxable assessment be extended to incorporate all taxable assessment in respect of which a senior government will make payments in lieu of taxes.
- III.10:R2 That public school boards and separate school boards each be permitted to assign the taxable assessment of their own real property to the support of their respective school systems.

11. Shared Costs

III.11:R1 That costs shared among municipalities be shared in the manner suggested in this Report.

12. Grants Based on Assessment

III.12:R1 That where assessment is to be used to determine the grant to be paid to a municipality, the assessment used be the assessment on which taxes and payments in lieu of taxes are based, in the manner suggested in this Report.

13. Unorganized Areas

III.13:R1 That the provisions of The Assessment Act apply to the assessment of all real property in Ontario, including areas without municipal organization.

14. Grant Supported Bodies

III.14:R1 That public bodies which receive provincial grants, such as school boards, be allowed to include their property tax payments as allowable expenses for grant purposes, and that existing grant ceilings be revised so as to ensure that the property tax outlay of grant supported bodies attract the same grant support as do other grant supported expenditures.

15. Property Tax Credit

III.15:R1 That The Municipal and School Tax Credit Assistance Act be replaced by a more effective measure.

III.15:R2 That the Ontario Pensioner Tax Credit be replaced by a more effective measure.

III.15:R3 That “Taxable Income” not be used for the purpose of the Ontario Property Tax Credit; and that instead, “Total Income less Total Personal Exemptions” be used for this purpose.

III.15:R4 That support by means of the Ontario Property Tax Credit be confined to 90 percent of the property tax related to an owner-occupant of residential real property; or to 90 percent of 10 percent of the total rent paid in a year by a tenant of residential real property.

III.15:R5 That the existing maximum of \$500 in respect of the Ontario Tax Credit System be removed; and that no arbitrary ceiling be established for purposes of an occupancy cost tax credit, other than the one implicit in these Recommendations.

III.15:R6 That for purposes of the Ontario Occupancy Cost Tax Credit, a schedule be included with the individual income tax return, so as to permit a progressively larger amount of support as income for this purpose diminishes.

III.15:R7 That welfare support payments be determined after taking account of funds available to a welfare recipient as a result of the Ontario Occupancy Cost Tax Credit.

Chapter IV Implementation

- IV:R1** That a revised property tax system based on 1975 market value assessment be implemented in 1977 for application in 1978.
- IV:R2** That 1975 market values be shown on the 1977 assessment notices even in the event of a further postponement in the implementation of tax reform.
- IV:R3** That a phasing-in of the new tax system be a phasing-in of the effects on taxes and not a phasing-in of the tax reform measures themselves.
- IV:R4** That the Government provide technical support where required in order to assist in the effective implementation of the tax reform measures.
- IV:R5** That the Government apply expenditure guidelines to all local bodies in order to ensure that changes in assessment and the tax reform measures not be used as camouflage to hide extraordinary increases in local spending, and that ratepayers be informed of such guidelines in a meaningful fashion.
- IV:R6** That legislation permitting a municipality to forward to each ratepayer a separate tax bill for municipal and school board purposes, be rescinded.

Appendices

Commission on the Reform of Property Taxation in Ontario

Meetings

June 23 & 24, 1976	ST. CATHARINES
June 29 & 30	OSHAWA
July 6 & 7	LONDON
July 12 & 13	SAULT STE. MARIE
July 14 & 15	THUNDER BAY
July 27	PEMBROKE
July 28	PETERBOROUGH
August 4	GODERICH
August 5 & 6	OWEN SOUND
August 17	KENORA
August 19	DRYDEN
August 24 & 25	AURORA
August 26 & 27	BRAMPTON
August 31	NORTH BAY
September 1	HUNTSVILLE
September 2	ORILLIA
September 7 & 8	KINGSTON
September 9	CORNWALL
September 14	SCARBOROUGH
September 15	NORTH YORK
September 16	ETOBICOKE
September 28 & 29	WINDSOR
September 30 & October 1	KITCHENER
October 5 & 6	OTTAWA
October 12 & 13	SUDBURY
October 14	TIMMINS
October 19, 20 & 21	HAMILTON
October 26, 27 & 28	TORONTO
November 2, 3, 4 & 5	
November 16	SARNIA
November 19	WINDSOR
	SUDBURY

Commission on the Reform of Property Taxation in Ontario

Submissions

The following persons and organizations made representations to the Commission. In addition, numerous letters were sent to the Commission and submissions were still being received as this Report went to print. Considerable effort has been expended to make this list as complete and accurate as possible. We apologize for any errors or omissions.

- Aggregate Producers' Association of Ontario
Albert College of Belleville
Albright Manor, Beamsville
Alexander, N.
Algoma Central Railway
Alma College
Alternate Schools of Ottawa
Ancaster, Township of
Anderson, G. S.
Anderson, William J., Q.C.
Appleby College
Armitage, Ronald
Artemesia, Township of
Ashbury College
Association for the Advancement of Christian Scholarship
Association of Canadian Distillers
Association for Catholic High School Boards of Ontario
Association for Christian Education of St. Catharines
Association for the Mentally Retarded—Ontario and Metropolitan Toronto
Association of Municipal Clerks and Treasurers of Ontario
Association of Municipal Clerks and Treasurers
—Brampton/Caledon
—Metropolitan Toronto
—Owen Sound and District
—Porcupine District
—Sudbury and District
Association of Municipal Tax Collectors of Ontario
Association of Ontario Land Economists
Association of Tourist Resorts in Ontario
Assumption College School
Aurora Highlands Golf Club
- Bais Yaakov Elementary School
Bansfield, Irving
Barclay, District of
Barrie Chamber of Commerce
Barrie, City of
Baycrest Centre
Bayview Country Club Limited

Bayview-Wildwood Resorts Limited
Beacon Christian High School
Beahen, Matthew J.
Beaton, J. Wallace
Bell Canada
Bell Cedar Ratepayers Association
Bellach, Gunther
Bennett, William
Berry, John J. O.
Beth Jacob High School and Teachers College
Big Valley Campsites and Trailer Park
Bishop Strachan School
Bishop's House
Blair, Gordon
Blue Water Storage Limited
Board of Education for the Borough of East York
Board of Education for the Borough of Etobicoke
Board of Education for the Borough of North York
Board of Education for the Borough of Scarborough
Board of Education for the Borough of York
Board of Education for the City of Toronto
Board of Jewish Education of Metropolitan Toronto
Board of Trade of Metropolitan Toronto
Bolger, Walter
Borysiak, Josephine and Walter
Bossoms, John
Bourns, Brian (Alderman, Ottawa)
Bower, J.
Boy Scouts of Canada

- Aurora District Council
- Central Area Council
- Cochrane Boy Scouts Association
- Cornwall District Council
- Greater Toronto Region
- Hamilton District Council
- Kingston District Council
- Lake Muskoka
- National Capital Region
- Niagara District
- Oshawa
- Owen Sound
- Presqu'ile District Council
- Provincial Council for Ontario
- Quinte Region
- St. Catharines District Council
- Sarnia
- Scarborough West South Group
- Sudbury District
- Wallaceburg District Council
- Waterloo North
- Windsor
- York Summit District

Boy Scouts of Canada, National Council
Boys and Girls Clubs of Canada Central Area Council
Bracken, Canon Newman
Bradford, Arthur R.
Branch, Norval C.
Branksome Hall School
Brant County Board of Education
Brant, County of
Brant County R.C.S.S. Board
Brantford Christian School Society
Brantford, City of
Brantford Golf and Country Club Limited
Brantford, Township of
Brebeuf College School
Briars Inn and Country Club
Britton, Sid H.
Bronson Home
Brosnon, Ilona
Brown, Jane E.
Browning Island Cottagers Association
Bruce-Grey County R.C.S.S. Board
Bruce Mines, Town of
Bryant, H. E.
Buchner, R. W.
Buffalo and Fort Erie Public Bridge Authority
Burgess, Beverly
Burlington Chamber of Commerce
Burlington, City of
Burlington Golf and Country Club Limited
Burlington Social Planning Council
Burlington Trinity Christian School

Caledon, Town of
Calvin Christian School, Dundas
Calvin Christian School, Hamilton
Calvin Christian School and Christian Instruction at Drayton and Vicinity
Calvin Christian School Society of Chatham
Calvin Memorial Christian School
Cambridge Chamber of Commerce
Cambridge Christian School
Cambridge, City of
Cambridge Golf Club
Campbell, Lorne
Campeau Corporation
Canadian Council on Social Development
Canadian Federation of Independent Business
Canadian Institute of Religion and Gerontology
Canadian Manufacturers' Association, Ontario Division
Canadian Memorial Chiropractic College
Canadian National Institute for the Blind, Ontario Division
Canadian National Institute for the Blind, Sudbury District
Canadian National Railway Company

Canadian Pacific Limited
Canadian Property Tax Agents Association Incorporated
Canadian Red Cross, Ontario Division
Canadian Reformed School Society of:
— Burlington
— Chatham and District
— Dufferin Area
Canadian Religious Conference, Ontario Region
Canadian Restaurant Association, Ontario Division
Canadian Warehousing Association
Canfield, Marc
Canterbury College
Cara Operations Limited
Cardinal Newman Private School
Carleton Board of Education
Carleton R.C.S.S. Board
Carleton University
Carleton University Students Association Incorporated
Carpenter, Earl
Carroll, P.
Caruso, Mrs. C.
Cassidy, Michael (M.P.P., Ottawa Centre)
Cataraqui Region Conservation Authority
Cathers, C. A.
Catholic High Schools of the City of London
Catholic Conference of Ontario (The Catholic Bishops)
Catholic High, Pembroke
Catholic Women's League of Canada
— Hamilton
— Ottawa
Catholic Women's League Ontario Provincial Council
Caven, Roger
Cedarhurst Golf Club
Cerisand, Stanley
Chairmen's Committee of Ontario Conservation Authorities
Charitable Homes for the Aged in York County
Children's Aid Society of Metropolitan Toronto
Christian Brothers Provincialate Toronto
Christian Council of the Capital Area
Citizens Association of Canada—Northwestern Ontario Area
City Parking Canada Limited
Colborne, Township of
Collingwood, Township of
Colpitts, Lorne
Communist Party of Canada
— Hamilton Civic Committee
— Niagara Peninsula Committee
— Northwestern Ontario Regional Committee
— Ontario
Community Care Services (Metropolitan Toronto) Incorporated
Community for Christian Learning
Community League

Congregation of Priests of St. Basil (Basilian Fathers)
Congregation of the Resurrection in Ontario
Cook, Gordon
Cooper, James and Helen
Cooper, William H.
Coordinating Committee on Theological Education in Canada
Cornwall, City of
Cornwall General Hospital
Council of Ontario Universities
Country Day School
Credit Valley Golf and Country Club
Crescent School
Crocker, D. H.
Cunningham, Eric (M.P.P., Wentworth North)

Damsemay, Clinton
Dandy, Bert
Davidson, Leonard
Dean, Nora
Deans, Ian (M.P.P., Wentworth)
De Laval Company Limited
Delhi, Township of
Denis O'Connor High School, Whitby
De Vos, D. J.
Dewan, Lawrence
Diocesan Roman Catholic High School Board of Metropolitan Windsor
Dollack, Charles
Dominion Foundries and Steel
Dominion Golf Club
Don Head Farms
Douglas, Jack D.
Downtown Business Council
Downtown Business Council—Community Groups
Dryden Board of Education
Dufferin County Board of Education
Dufferin-Peel R.C.S.S. Board
Dundas County Federation of Agriculture and Women for
 Survival of Agriculture
Durham Board of Education
Durham Christian High School Society
Durham Region Federation of Agriculture

East Gwillimbury, Township of
East, Maurice
East Parry Sound Board of Education
East York, Borough of
East York Condominium Corporation No. 76
Ebenezer Christian School Society
Eitz Chaim Schools
Elgi, R.
Elgin County Federation of Agriculture
Elgin R.C.S.S. Board

Elliott, Ed
Elmwood School Board of Governors
Emmanuel Christian School Society
Energy Probe
Enns, David
Erdman, Eric and Ulrich
Erindale College
Espanola Tourist Operators' Association
Essex County Federation of Agriculture
Essex County R.C.S.S. Board
Essex Golf and Country Club
Essex Region Conservation Authority
Etobicoke, Borough of
Etobicoke Federation of Ratepayers and Residents' Association
Evans, Mr.
Ewart College

Falconbridge Nickel Mines Limited
Family Service Association of Metropolitan Toronto
Farrow, Clare W.
Father Henry Carr Secondary School
Federation of Catholic Parent-Teacher Associations of Ontario
Federation of Junior Leagues of Canada
Federation of Ontario Cottagers
Federation of Women Teachers' Associations of Ontario
Ference, John
Ferri, Quint
Fielding, T. H. W.
Finnegan, Everitt
Fisher, John
Fleming, Lloyd
Frontenac County Federation of Agriculture
Frontenac, Lennox and Addington County R.C.S.S. Board
Frost, Robert
Fyfe, Dr. Stuart

Gardener, Mrs. Robert
General Church of the Jerusalem in Canada
General Time of Canada Limited
Georgetown Christian School
Georgian Bay, Township of
Georgina Township Chamber of Commerce
Gigg, Edmund G.
Giles, Bob
Girl Guides of Canada, Ontario Council
Girl Guides of Canada, Ottawa Area
Glebe Centre Incorporated
Glendale Golf and Country Club Limited
Glengarda School
Gloucester, Township of
Goderich, Town of
Golden Lake Family Camp

Golfland (Waterdown) Limited
Grabb, B.
Grand Hill Village Association
Grand Orange Lodge of Ontario West
Grand River Conservation Authority
Gravenhurst, Town of
Grenville Christian College
Grey Bruce Regional Tourist Council
Grey, County of
Grey County Board of Education
Grey County Federation of Agriculture
Grey Sisters of the Immaculate Conception
Griffiths, G.
Guelph, City of
Guelph Country Club Limited on behalf of Area Golf Clubs:
—Aberfoyle Country Club
—Beaverdale Golf and Country Club
—Brookfield Country Club
—Elmira Golf Club
—Galt Country Club Limited
—Guelph Country Club Limited
—Guelph Cutten Club
—Merry Hill Golf Club
—New Dundee Country Club
—Victoria Park Golf Club

Haldimand Federation of Agriculture
Haldimand-Norfolk, Regional Municipality of
Haliburton, County of
Hall, Robert
Halton Federation of Agriculture
Halton Region Conservation Authority
Halton, Regional Municipality of
Hames, Dr. C. F.
Hamilton Board of Education
Hamilton Catholic High Schools Board of Governors
Hamilton, City of
Hamilton Civic Hospital
Hamilton District Christian School
Hamilton District Christian High School
Hamilton and District Association of Canadian Tire Dealers
Hamilton and District Chamber of Commerce
Hamilton and District Labour Council
Hamilton Federation of Agriculture
Hamilton Golf and Country Club
Hamilton Presbytery of the United Church of Canada
Hamilton Region Conservation Authority
Hamilton Teachers' Federation
Hamilton-Wentworth R.C.S.S. Board
Hamilton-Wentworth, Regional Municipality of
Hanover, Town of
Haridge, P. A.

Hastings County Board of Education
Hastings, O. D.
Hastings-Prince Edward County R.C.S.S. Board
Havergal College
Henry, Mrs. W. D.
Herrema, Gary
Herschel, Township of
Hill, John
Hillfield-Strathallan College
Hiram Walker & Sons Limited
Hodgson, Clarence
Holmes, William
Holy Ghost Fathers in Ontario
Holy Name of Mary High School
Hoogendam, Ben
Howland, Township of
Hulse, C. A.
Huntington Golf and Country Club
Huntsville and District Agricultural Society
Huron, County of
Huron County Federation of Agriculture
Huron Perth County Separate School Board
Huronia Tourist Association
Hydeaway Golf Club

I.B.M. Canada Limited
Idylwylde Golf and Country Club
Ignace, Township of
Immaculata High School
—Lay Advisory Board
—Parents
—Principal
—Staff
—Students
Immanuel Christian School
Inco Limited
Innisfil, Township of
Institute of Municipal Assessors
Institute for Policy Analysis, University of Toronto
Inter-Church Committee on Legal Affairs
Irwin, Norman
Islington Golf Club Limited

James, R. W. F.
Jarvis District Christian School
Jewish Community Council of Ottawa
John Knox Christian School
Johnson, Mary A.
Junction Businessmen's Association
Junior Achievement of Windsor

Kapuskasing, Town of
Kenora District R.C.S.S. Board
Kenora, Town of
Kent, County of
Kent County R.C.S.S. Board
King, Peter
King, Township of
Kingston, City of
Kingston and District Golf Courses
Kingston General Hospital
Kingston Yacht Club
Kingsville Golf and Curling Club
Kirkland Lake District R.C.S.S. Board
Kitchener, City of
Kitchener-Waterloo Bilingual School
Kitchener-Waterloo Catholic High School
Kitchener-Waterloo Christian School Society
Knox Christian School Society

Laceby, George
Ladies' Golf Club of Toronto Limited
Lake of the Woods Property Owners' Association
Lake Miskwabi Cottagers' Association
Lakehead Board of Education
Lakehead District R.C.S.S. Board
Lakehead Social Planning Council
Lakehead University
Lambton County R.C.S.S. Board
Lambton Christian High School
L'Association francaise des Conseils scolaires de l'Ontario, Ottawa
Laurentian Hills Christian School
Laurentian University
Leamington Mennonite Home
Leduc, Reverend Father
Leeds and Grenville County Board of Education
Leeds and Grenville Federation of Agriculture
Lennox and Addington County Board of Education
Lillico, Frank
Lincoln Agricultural Society
Lincoln County Board of Education
Lincoln County R.C.S.S. Board
London Board of Education
London Chamber of Commerce
London, City of
London and District Christian Secondary School Society
London and Middlesex County R.C.S.S. Board
London Parental Christian School Society
London United Way
Long, Norman W.
Longridge, William
Louth Township Ratepayers
Loyal True Blue and Orange Home
Lutheran Churches of Hamilton

Mackie and Slavic
Maeder, Rudi
Magnetawan Agricultural Society
Maidstone, Township of
Maitland Valley Conservation Authority
Malden Hill Estates
Manitoulin Tourist Association
Marantha Canadian Reformed Church
Marathon Realty Company Limited
March Township Rural Association
Markborough Properties
Markham, Town of
Markham Union Lodge No. 87
Marthon, Hans
Marymount College
Massey, Town of
Masters, Ed
Matchedash, Township of
May, Anthony R.
May Court Club of Windsor
Mayfield Landowners Association
McCormick, A. B.
McGrath, M. J.
McKay, Mr.
McKay, John
McMaster University
Megan, John
Mennonite Brethren Churches of Ontario
Mennonite Church, Vineland
Mens, J. Roderick
Metropolitan Separate School Board
Metropolitan Toronto, Municipality of
Metropolitan Toronto and Region Conservation Authority
Metropolitan Toronto School Board
Michael Power High School
Middlesex, County of
Miller, Pamela
Milliken, Mr.
Mississauga, City of
Mississauga Golf and Country Club
Mississippi Valley Conservation Authority
Mobile Home Estates
Moon, C. L.
Moore, Township of
Morris, Mrs. E.
Muir, D. L.
Mulholland, S.
Muskoka Board of Education
Muskoka, District Municipality of
Muskoka Lakes, Township of
Muskoka-Parry Sound Health Unit

Muskoka Tourist Association
Myles, Ross

Nanninga, J.
Nanticoke, City of
National Council of Jewish Women of Canada, Toronto Section
Nawack, Walter J.
Nelson, Ed
Nepean, Township of
New Democratic Party, Sudbury
Newman Foundation of Toronto
Niagara Falls, City of
Niagara Ina Grafton Gage Home
Niagara-On-The-Lake, Town of
Niagara, Regional Municipality of
Niagara South Board of Education
Nicholson, A. W.
Nickel District Conservation Authority
Nipissing Board of Education
Nipissing District R.C.S.S. Board
Nipissing University College
Nithview Home Board of Directors
Norfolk, Township of
Norfolk Board of Education
North Bay Golf and Country Club Limited
North Dumfries, Township of
North Easthope, Township of
North Grey Region—Sauble Valley Conservation Authority
North Niagara Federation of Agriculture
Northern Ontario Tourist Outfitters Association
Northumberland and Newcastle Board of Education
Notre Dame College
Notre Dame, Congregation de
Notre Dame High School, Personnel of
Nottawasaga Valley Conservation Authority

Oakville, Town of
O'Gorman Private High School Advisory Board
Olafson, Harold
Olson, Ray
Ontario Advisory Council on Senior Citizens
Ontario Alliance of Christian Schools
Ontario Anti-Poverty Organization
Ontario Association of Agricultural Societies
Ontario Association of Agricultural Societies, District II
Ontario Association of Alternative and Independent Schools
Ontario Association of Art Galleries
Ontario Association of Education Administrative Officials
Ontario Association of Governing Bodies and Independent Schools
Ontario Association of Homes for the Aged

Ontario Association of School Business Officials
Ontario Camping Association
Ontario Catholic Student Federation
Ontario Chamber of Commerce
Ontario Council of Administrators of Teaching Hospitals
Ontario Council of the Housing and Urban Development Association of Canada
Ontario Council of the United Church of Canada
Ontario English Catholic Teachers' Association
Ontario Federation of Agriculture
Ontario Federation of Snowmobile Clubs
Ontario Forestry Association
Ontario Fruit and Vegetable Growers' Association
Ontario Golf Association
Ontario Golf Superintendents' Association
Ontario Hospital Association
—Councils 8 and 10
—Council 9
Ontario Hostel Associations
Ontario Hotel and Motel Association
Ontario Hydro Electric Power Commission
Ontario Institute of Agrologists
Ontario Institute for Studies in Education
Ontario Liberal Caucus
Ontario Mining Association
Ontario Motel Association
Ontario Museum Association
Ontario New Democratic Party Caucus, Windsor
Ontario Private Campgrounds' Association
Ontario Public School Trustees' Association
Ontario Real Estate Association
Ontario School Trustees' Council
Ontario Secondary School Teachers' Federation
Ontario Separate School Trustees' Association
Ontario Ski Resorts
Ontario Teachers' Federation
Ontario Welfare Council
Orangeville and District Chamber of Commerce
Order of Saint Basil-the-Great in Canada
Orillia and District Chamber of Commerce
Osborne, Orville
Oshawa, City of
Ottawa Archdiocesan Catholic Parent Teachers' Association
Ottawa Board of Education
Ottawa Board of Trade
Ottawa-Carleton Federation of Agriculture
Ottawa Christian School
Ottawa, City of
Ottawa English Catholic Principals' Association
Ottawa Hunt and Golf Club Limited
Ottawa Montessori Schools
Ottawa R.C.S.S. Board

Ottawa Research Institute Limited
Outboard Marine Corporation of Canada Limited
Owen Sound, City of
Oxford County Board of Education
Oxford County R.C.S.S. Board
Oxford Golf and Country Club

Pahl, Gunther
Paradise Camp
Parr, Ben F.
Parry Sound Golf and Country Club
Peachey, Edmund H.
Pearson, Robert
Peel Board of Education
Peel Federation of Agriculture
Pelee, Township of
Pelham, Town of
Peltier, Louis
Perth, County of
Perth County Board of Education
Perth County Federation of Agriculture
Peterborough, City of
Peterborough, County of
Peterborough County Board of Education
Peterborough Golf and Country Club Limited
Peterborough-Victoria-Northumberland and Newcastle R.C.S.S. Board
Peterson, Clayton
Petrolia, Town of
Playter Area Residents' Association
Pochailo, Dianne
Pollard, Mr. and Mrs.
Porcupine District Association for the Mentally Retarded
Port Hope, Town of
Powassan Agricultural Society
Prescott and Russell R.C.S.S. Board

Queen's University

Radcliffe, Louise
Raisin Region Conservation Authority
Ratepayers' Association of the Township of West Carleton
Regina Mundi College
Regiopolis Notre Dame College
Regis College
Renfrew Catholic High School
Renfrew Private High School
Retail Council of Canada
Retail Merchants' Association of Canada (Ontario) Incorporated
Revell, George A.
Reymand, Ed, Ray and Thelma

Riches, Ormond
Richmond Hill, Town of
Richmond House (Orillia Group Home for Girls)
Rideau, Township of
Rideau Valley Conservation Authority
Ridley College
Ridout, John
Roman Catholic Episcopal Corporation of the Diocese of London and
 Sisters of St. Joseph of the Diocese of London
Roman Catholic Episcopal Corporation of the Diocese of Hamilton
Roman Catholic Diocese of Peterborough
Ross, David
Ross, Nevil
Ross, W. E.
Rothwell Heights Property Owners' Association
Royal Botanical Gardens
Royal Canadian Yacht Club
Rubin, Ken
Rural Ontario Municipal Association
Rural Property Owners of the City of Brampton
Rutherford and George Island, Township of
Ryerson Polytechnical Institute

St. Andrew's College
St. Andrew's Place
St. Andrew's Residence for Senior Citizens
St. Anne's Private High School Board
St. Brigid's School
St. Catharines, City of
St. Charles College
St. Clair Region Conservation Authority
St. Edmund's Property Owners Incorporated
St. George's College
St. George's Golf and Country Club
St. George's Parish, Ottawa West
St. John Ambulance, National Headquarters
St. John Ambulance, Ontario Council
St. John's College, Brantford
St. Joseph's High School Board, St. Thomas
St. Joseph's Home for the Aged
St. Joseph's Hospital, Brantford
St. Joseph's Hospital, Hamilton
St. Joseph's Hospital, Kitchener
St. Joseph's Villa, Cornwall
St. Joseph's Villa, Dundas
St. Mary's College
St. Mary's General Hospital, Kitchener
St. Michael's College School, Toronto
St. Michael's College, University of Toronto
St. Michael's Parish
St. Patrick's Home, Ottawa
St. Patrick's Private High School Board, Sarnia

St. Pius X High School
—Mothers' Club
—Parents
—Students
St. Theresa's Private High School Board
St. Vincent de Paul Society, Windsor
Salvation Army
Sandwich West, Township of
Sarnia Christian School
Sarnia, City of
Saugeen Valley Conservation Authority
Sault Ste. Marie Board of Education
Sault Ste. Marie, City of
Sault Ste. Marie District R.C.S.S. Board
Sault Ste. Marie and District Labour Council
Sault Ste. Marie Golf Club
Sawhney, Vasden
Scarborough and Associated Township Farmers
School Sisters of Notre Dame
Schreiner, Art
Schurman, J. Michael
Seasonal Tourist Establishment Operators
Sedunow, Alex
Sellers, John H.
Shand, Clifford E.
Shaw, George
Shea, Dave
Sheffield, Township of
Shiloak Management
Shoreland Preservation Association
Shupe, G. O.
Simcoe County Board of Education
Simcoe County Federation of Agriculture
Simcoe County R.C.S.S. Board
Simcoe, Town of
Sinclair, William
Sisak, Paul
Sisters of St. Joseph, Pembroke
Sisters of St. Joseph for the Diocese of Toronto in Upper Canada
Sisters' Council of the Diocese of London
Sisters Servants of Mary Immaculate
Skillings, Ron
Sleepy Hollow Golf Club
Snowden, Township of
Social Planning Council of Metropolitan Toronto
Social Planning Council of Ottawa-Carleton
Social Planning and Research Council of Hamilton and District
Society for Christian Instruction at Drayton and Vicinity
Society for Goodwill Services, Toronto
Society of the Sacred Heart of Jesus
Solar Energy Society of Canada Incorporated (Toronto Chapter)

South Esquesing Landowners' Association
South Lake Simcoe Conservation Authority
Spanish River, Township of
Sport Ontario
Stanley Knight Limited
Stanton, Tom
Stollard, Bert
Stormont, Dundas and Glengarry Board of Education
Stormont, Dundas and Glengarry County R.C.S.S. Board
Stormont, Dundas and Glengarry, United Counties of
Stratford Shakespearean Festival Foundation
Stuart, William
Sudbury Board of Education
Sudbury District R.C.S.S. Board
Sudbury General Hospital
Sudbury, Regional Municipality of
Sullivan, Township of
Summers, Esther
Summit Golf and Country Club Limited
Sunnidale, Township of
Swan, Violet
Swart, Mel (M.P.P., Welland-Thorold)

Tabor Manor Home for the Aged (Mennonite)
Tatham, Charles
Taylor, T. D.
Teefy, Vincent
The Islanders, Gravenhurst
Thomas More Senior High School
Thomson, Mr. B.
Thomson, Robert
Thunder Bay, City of
Timmins-Porcupine Chamber of Commerce
Timmins Board of Education
Timmins, City of
Timmins District R.C.S.S. Board
Timmins, Grant
Timothy Christian School, Rexdale
Timothy Christian School, Cornwall
Timothy Canadian Reformed School Society of Hamilton
Toronto, City of
Toronto District Christian High School, Woodbridge
Toronto General Hospital
Toronto Golf Club
Toronto Harbour Commissioners
Toronto Jewish Congress
Toronto Parking Operators Association
Toronto Real Estate Board
Toronto Transit Commission
Toronto Waldorf School
Toronto Western Hospital
Tourism Ontario

TransCanada PipeLines Limited
Trent University
Trenton Christian School
Trinity College School
Trillium Home for the Aged
Turner, Phyllis
Twin Oaks Golf and Country Club

Underwood, James and Helen
United Agency Services
United Church of Canada, Toronto
United Community Fund, Brantford and Brant County
United Community Fund of Greater Toronto
United Community Services, Windsor
United Synagogue of America
United Way
—Belleville and District
—Big Sisters of London
—Oakville
—Ottawa-Carleton
—Thunder Bay
University of Guelph
University of Ottawa
University of Ottawa, Common Law Students' Society
University of Waterloo
University of Western Ontario
Unorganized Communities' Association of Northern Ontario West
Upper Canada College
Urban Development Institute, Ontario
Urban League of London
Ursuline College "The Pines"
Ursuline Motherhouse
Ursuline Religious of the Diocese of London in Ontario
Ursuline School, North York
Ursuline School, Toronto
Uxbridge, Township of

Valhalla Companies
Vaughan, Town of
Victoria University, Toronto
Victorian Order of Nurses, National Office
Victorian Order of Nurses Visiting Homemakers Association, Toronto

Waddington, Don
Wallaceburg, Town of
Ward 4 Community Organization
Warden, John
Wasserman, Marvin
Waterloo, City of
Waterloo County Board of Education
Waterloo County R.C.S.S. Board

Waterloo Downtown Residents' Association
Waterloo, Regional Municipality of
Watson, Alex
Webber, Bill
Webster, G. A.
Wedding, B. H.
Welland County R.C.S.S. Board
Wellington County Board of Education
Wellington County R.C.S.S. Board
Wentworth County Board of Education
Wentworth Federation of Agriculture
West Carleton Ratepayers' Association
West Carleton, Township of
Westdale Shopping Centre Association
Western Fair Association
West Garafraxa, Township of
Westinghouse Canada Limited
Westmount Golf and Country Club
Weston Golf and Country Club
Westview Golf Club Limited
Wexford Home Owners
Whitby, Town of
Whitehead, Bruce
Wiebe, Dr. John
Wilfrid Laurier University
Wilkinson, Marianne
Wilmot, Township of
Wilson, Douglas (Alderman, Oshawa)
Wilson, Sam
Windsor Board of Education
Windsor Chamber of Commerce
Windsor, City of
Windsor Park Golf and Country Club
Windsor R.C.S.S. Board
Windsor Association for the Mentally Retarded
Winters, Gordon
Wiseman, Mrs.
Wolf, Henry
Wood is Good Industries
Wright, Paul

Yeshiva Yesodei Hatorah
York Condominium Corporation No. 54
York Condominium Corporation No. 76
York Condominium Corporation No. 76 Assessment Appeal Committee
York County Board of Education
York County Homes for the Aged
York Region R.C.S.S. Board
York, Regional Municipality of
York University
Young, Jack (Councillor, Haldimand-Norfolk)

Young Men's Christian Associations

- Belleville Family
- Burlington
- Cambridge
- Camp Wangoma
- Etobicoke
- Greater Hamilton
- Guelph
- Humber/Mississauga
- Kenora Camp
- Kitchener-Waterloo
- Metropolitan Toronto
- North York
- Ontario
- Orillia
- Pembroke
- Peterborough Family
- Sault Ste. Marie Family
- Scarborough
- Sudbury
- Wa-Sa-Ah-Bun Camp
- Woodstock Family
- York Region

Young Men's Christian Association of Metropolitan Camps Services Board

Young Men's Christian Association (West City) Regional Advisory Board

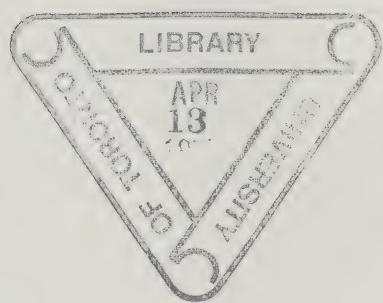
Young Men's/Young Women's Christian Associations

- Barrie
- Brantford
- Georgetown and District
- Kingston
- London
- Oakville
- Ontario
- Ottawa
- Owen Sound
- Peel Region
- Stratford
- Thunder Bay
- Windsor

Young Women's Christian Associations

- Cambridge
- Canada
- Hamilton
- Kitchener-Waterloo
- Metropolitan Toronto
- Oshawa
- Peterborough
- St. Catharines
- St. Thomas
- Woodstock

Young Men's/Young Women's Hebrew Association, Toronto



4721





